



**United States  
Department of  
Agriculture**

**Food and  
Consumer  
Service**

**Office of  
Analysis and  
Evaluation**

# **Evaluation of the Application of Regulation E to EBT Systems**

## **Final Report**

### **July 1997**



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### FINAL REPORT

July 1997

Authors:  
John Kirlin  
Nancy Burstein  
Stefanie Gluckman  
Julie Masker  
Laura Peck

**Submitted by:**

Abt Associates Inc.  
55 Wheeler Street  
Cambridge, MA 02138

Project Director: John Kirlin

**Submitted to:**

Office of Analysis and Evaluation  
USDA Food and Consumer Service  
3101 Park Center Drive, Rm. 214  
Alexandria, VA 22302

Project Officer: Carol Olander

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## **EXECUTIVE SUMMARY**

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Electronic benefit transfer (EBT) systems have been implemented in a number of different states across the country. These systems deliver benefits electronically for a number of state, state-administered federal, and direct federal programs. State programs using EBT to deliver benefits include General Assistance, and direct federal programs using EBT include Social Security (Old Age, Survivors, and Disability Insurance, or OASDI), Supplemental Security Income (SSI), and other federal retirement and disability programs. By far the largest users of EBT systems to date, however, are the state-administered assistance programs; these include the Food Stamp Program (FSP), the Aid to Families with Dependent Children (AFDC) program, and the new Temporary Assistance for Needy Families (TANF) programs.

EBT systems work very much like commercial bank card networks. Program participants receive an EBT card and select a personal identification number, or PIN. The EBT card is functionally similar to a bank debit card. Using the EBT card and PIN, the EBT cardholder can access cash assistance program benefits either by withdrawing them from an automated teller machine (ATM) or by using them at the point of sale (POS) to make purchases or to receive cash back. For the FSP, the EBT card can be used to access food stamp benefits to pay for purchases in program-authorized food retail outlets.

### **REGULATION E AND EBT SYSTEMS**

The Electronic Fund Transfer Act governs the operations of commercial debit card networks. A regulation commonly referred to as "Regulation E" implements the provisions of the Act. Regulation E (or simply "Reg E") establishes a framework of legal rights and responsibilities for card issuers and card holders in electronic fund transfer systems. In March 1994, the Board of Governors of the Federal Reserve ruled that Reg E must be applied to all EBT systems by March 1997. Although EBT systems serving beneficiaries of direct federal programs have always operated under the provisions of Reg E, the Board's ruling had several major implications for EBT systems delivering state-administered program benefits. Specifically, these EBT systems would now have to:

- Cap a client's liability for benefits lost through unauthorized use of the EBT card at \$50 if the client reported the loss within two days of discovery. (As card issuer, the state would be liable for the remaining lost benefits.)
- Issue a provisional credit for the loss amount (minus any client liability) if a claim could not be fully investigated within a specified time period. If the claim was subsequently denied, the state would have to initiate recoupment proceedings to recover the provisional credit.
- Issue a disclosure statement explaining the rights and responsibilities of the state and the client in an EBT system, and explaining how to go about filing a claim for lost benefits.

The Board's decision to extend the provisions of Reg E to EBT was controversial. Client advocates supported the decision, asserting that households receiving public assistance should have the same protections against debit card loss as anyone. Many federal and state proponents of EBT systems, however, believed that regular program protections against EBT loss were sufficient. These protections reimbursed clients for losses due to ATM misdisburses and many system or procedural errors. The EBT proponents worried that the potential cost of replaced benefits and claims processing under Reg E would increase the overall cost of EBT services to the point where EBT would no longer be a cost-effective alternative to paper benefit delivery.

With passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996,<sup>1</sup> Congress overturned the Board's decision and exempted most EBT systems from the provisions of Reg E. Systems delivering direct federal program benefits still must operate under Reg E, but any EBT system operated by a state or county unit or delivering benefits for a state or state-administered program is exempt from the regulation. These state-administered systems, however, continue to provide client protections against loss due to ATM misdisburses and many system or procedural errors, as before.

## **THE REG E DEMONSTRATIONS**

In an effort to provide empirical evidence on the impacts of applying Reg E to EBT systems, federal and state agencies used the Federal Reserve's three-year implementation period

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<sup>1</sup> Public Law 104-193.

to conduct a series of demonstrations in which several sites with EBT systems operated under Reg E provisions for 12 months. The purposes of the demonstrations were to:

- learn more about the likely impacts of Reg E on administrative costs and benefit replacements;
- assess the effectiveness of different strategies for implementing Reg E and controlling claims of benefit loss; and
- prepare funding plans for any costs associated with the application of Reg E.

Exhibit 1 provides an overview of the demonstration sites. As one reads down the exhibit, the sites are listed in general *ascending* order of the protections they provided clients against loss of benefits. For instance, the comparison site of Camden County, New Jersey, did not offer any "Reg E" protections against losses due to unauthorized card usage. As in all current EBT sites, however, Camden's EBT operating policy was to reimburse clients fully for any verified losses they incurred due to ATM misdispenses or system errors.

**Exhibit 1**  
**OVERVIEW OF DEMONSTRATION SITES**

Site	Level of Protection	Programs Served	Average Monthly Caseload <sup>a</sup>
Camden County, NJ	Regular EBT	AFDC, FSP	22,740
San Juan County, NM	Responsibility Standard	AFDC, FSP	3,514
Citibank DPC System (TX)	Full Reg E	OASDI, SSI, others	12,405
Hudson County, NJ	Full Reg E	AFDC, FSP	28,456
Bernalillo County, NM	Full Reg E	AFDC, FSP	24,703
Doña Ana County, NM	Full Reg E	AFDC, FSP	10,259

<sup>a</sup> Unduplicated case count (i.e., households receiving both food stamps and AFDC are counted just once).

The protections offered clients in San Juan County, New Mexico, were nearly identical to those offered in Camden County. San Juan County, however, participated in the Reg E demonstrations as a "responsibility standard" site. This meant that losses due to unauthorized card usage were not reimbursed if the transaction in question was initiated with a valid EBT

card and PIN.<sup>2</sup> Reg E provisions regarding how quickly claims of loss must be investigated, however, were in effect in San Juan County, as was the requirement that provisional credits be granted if investigations could not be completed before the Reg E deadlines.

The last four sites—the Citibank DPC system in Texas, Hudson County in New Jersey, and Bernalillo and Doña Ana counties in New Mexico—operated under "full" Reg E protections during the demonstration periods. In these four sites, losses due to unauthorized card usage were reimbursable if the client cooperated with the investigation and the circumstances of the loss could be verified. Furthermore, provisional credits were granted when investigations could not be completed within 10 days (for losses at an ATM) or 20 days (for losses at a POS device). Citibank's DPC system was the only demonstration site serving direct federal programs like Social Security and SSI. As such, Citibank was the only system operating with previous Reg E experience.

## KEY FINDINGS

This report presents the findings from an evaluation of these demonstrations. The principal findings are:

- ***Reg E had no consistent impact on the number of claims submitted.*** Claim submission rates, although generally low in all sites, were higher in some Reg E sites than in Camden County, but lower in other Reg E sites.
- ***Reg E's impact on liability arising from replaced benefits was quite small.*** For both the cash assistance and food stamp programs, liability averaged \$0.03 or less per case month in all but one demonstration site, where it averaged \$0.09 per case month for cash assistance claims.<sup>3</sup> Liability arising from unrecovered provisional credits (for claims subsequently denied) was even smaller. This liability averaged \$0.01 or less per case month in each demonstration site.

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<sup>2</sup> As in all sites, any losses due to unauthorized card usage *after* the card had been reported as lost or stolen were reimbursable.

<sup>3</sup> Cost impacts are measured "per case month" throughout the report. They are calculated by dividing the impact (here, total replaced benefits in a site) by the sum of the number of cases active during each month of the demonstration.

- If factors affecting liability rates remained the same nationwide as in the demonstration sites, *projected AFDC/TANF liability for replaced benefits across all 50 states would be \$1.8 million annually, and food stamp liability would be \$722,000 annually.*
- *Reg E increased AFDC administrative costs considerably.* Administrative costs were \$0.11 to \$0.63 per case month higher in the Reg E sites than in Camden County, where the cost of existing client protections was \$0.37 per case month. (As a point of comparison, total monthly costs to operate an EBT system have ranged between \$3.00 and \$4.50 per case, depending on the state.)
- *Reg E's impact on food stamp administrative costs was smaller and less consistent.* Compared to food stamp administrative costs of \$0.33 per case month in Camden County, Reg E costs ranged from being \$0.10 per case month higher to \$0.23 per case month lower.
- *Total projected Reg E administrative cost for all 50 states varies between \$14-\$22 million annually for the AFDC/TANF programs and \$21-\$42 million annually for the FSP.* These projections use the demonstration sites as alternative models for nationwide implementation of Reg E, with some recommended changes in staffing patterns to reduce costs.

With Congress' exemption of many EBT system from the provisions of Reg E, the usefulness of the Reg E demonstrations may appear limited. EBT systems serving direct federal programs continue to be covered by Reg E, however, and all EBT systems offer some protections against benefit loss to clients. In addition, it may be possible to offer some added protections to clients without substantial increases in administrative costs. Thus, a need still exists to be able to process claims of loss effectively and efficiently. We therefore point out below several other lessons from the Reg E demonstrations:

- *The cost of client protections need not be as expensive as the administrative costs incurred in the Reg E sites.* Different staffing patterns and organizational structure could reduce costs substantially, while still maintaining service levels.
- *Even without a Reg E requirement, EBT systems can impose substantial costs on local offices in unexpected ways.* For instance, instead of reporting EBT account problems to the EBT Help Desk (as instructed), many recipients in Hudson and Camden County contacted their caseworkers to ask questions. These contacts imposed large costs on local office operations.
- *More than 50 percent of the losses reported by clients could, in theory, be avoided.* In particular, if recipients were more careful about protecting their EBT

cards and PINs, then losses due to unauthorized card usage could be reduced. This would not only help clients, but it would also reduce sites' costs to investigate the losses.<sup>4</sup>

The following sections provide more detailed discussion of what has been learned from the Reg E demonstrations with regard to Reg E's impacts on benefit liability and administrative costs, as well as lessons for providing client protections in the future.

#### IMPACT OF REG E ON BENEFIT LIABILITY

The evaluation grouped nearly all claims of lost or stolen benefits into three main categories:

- (1) claims arising from *non-receipt of funds* (i.e., ATM misdisburses);
- (2) claims arising from *unauthorized usage* of a client's EBT card; and
- (3) claims arising from *system or procedural errors* (e.g., a transaction mistakenly entered twice at a store POS terminal).

Within each of these categories, the study examined the rate at which claims were submitted (expressed as the number of claims submitted per 1,000 case months of benefit receipt), their disposition, reasons for denial, and the resulting impact on liability due to replaced benefits.

A major concern prior to the demonstrations was that Reg E would increase state or county financial liabilities by an amount sufficient to render EBT systems no longer cost-effective. Increased liabilities could arise from two sources: program benefits replaced following approval of a claim of lost benefits, and unrecovered provisional credits. As shown in Exhibit 2, however, liabilities from approved claims and unrecovered provisional credits were quite low in all demonstration sites.

There are four reasons why the benefit liabilities shown in the exhibit were generally less than \$0.03 per case month. First, claim submission rates were low in all sites. Second, most approved claims of benefit loss do not impose a financial liability on the state or county.

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<sup>4</sup> Even when losses due to unauthorized card usage are not reimbursable, some administrative time (and cost) is incurred to determine that the loss is indeed due to unauthorized card use and not some other factor.

## Exhibit 2

**FINANCIAL LIABILITY FROM CLAIMS OF LOST BENEFITS**  
(dollars per case month)<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<i>Cash Assistance Benefits</i>							
Approved claims	0	0	.016	.006	.088	.028	.027
Provisional credits	0	.001	0	.001	.016	.009	.004
<i>Food Stamp Benefits</i>							
Approved claims	0	0	n/a	.000	.017	.000	.007
Provisional credits	0	0		0	.001	0	.000

<sup>a</sup> A value of "0" indicates zero cost. A value of ".000" indicates a positive cost equal to less than \$0.0005 (1/20th of a cent) per case month.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

Only approved claims of unauthorized usage impose additional liability.<sup>5</sup> Third, approval rates for claims of unauthorized usage were low. Finally, exposure from provisional credits was low because relatively few provisional credits were granted. If these factors affecting liability rates remained the same nationwide as in the demonstration sites, then projected liability for replaced

<sup>5</sup> Approved claims of ATM misdispenses do not generate a financial liability because the credit to the client's account is offset by a credit from the ATM owner. Similarly, approved claims of system or procedural error usually do not create a financial liability for the state or county agency or EBT vendor. In those few instances in which an approved claim arising from a system or procedural error does create a financial liability, the liability would have been incurred under standard EBT operating rules as well as under Reg E, so Reg E generates no *additional* liability. An example would be transactions approved by the system after the client had properly informed system representatives that his or her EBT card had been lost or stolen.



AFDC/TANF benefits would be \$1.8 million annually across all 50 states, and food stamp liability at the national level would be \$722,000 annually.<sup>6</sup>

### **IMPACT OF REG E ON ADMINISTRATIVE COSTS**

The administrative costs of investigating and processing Reg E claims in the Reg E demonstration sites were compared to the cost of investigating and processing claims of lost EBT benefits in Camden County. The Reg E administrative costs in each site were substantial, especially when compared to the site's costs of benefit replacements and unrecovered provisional credits. The cost of helping recipients in Camden County with their EBT account problems, however, also was substantial.

### **Demonstration Costs**

For both the cash assistance and food stamp programs, Exhibit 3 presents the evaluation's estimates of average administrative costs per submitted claim and per case month during the demonstration periods. Average cost per claim is high in each site, but varies substantially across sites. At an average cost of \$98 per cash claim, Citibank has the lowest cost per claim, perhaps due to its previous experience in handling Reg E claims, but also because participants in the DPC system do not have access to other staff (e.g., caseworkers) to help with EBT problems. The three counties in New Mexico had higher costs, with average per-claim costs for cash assistance claims ranging from \$188 to \$357. Average costs for food stamp claims in New Mexico ranged from \$168 to \$831 per claim.

The two New Jersey counties had the highest average costs per claim, but for different reasons. Caseworkers in both Camden and Hudson County spent considerable time helping clients with real or perceived problems of lost benefits. For Camden County, this caseworker time was the major contributor to average per-claim costs of \$437 and \$1,020 for claims involving AFDC and food stamp benefits, respectively. Caseworkers in Hudson County had lower average salaries than their counterparts in Camden County, so the costs in Hudson

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<sup>6</sup> These projections are based on a projected national AFDC claim rate that is 18 percent higher than the average demonstration rate, and a projected national food stamp claim rate that is 12 percent lower. The claim rate projections adjust for differences in caseload composition between the demonstration sites and U.S. averages.

**Exhibit 3**  
**AVERAGE ADMINISTRATIVE COSTS**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County	San Juan County	Citibank DPC System	Hudson County	Bernalillo County	Doña Ana County	All Full Reg E Sites
<i>Cash Assistance Benefits</i>							
Cost per claim (actual)	\$437	\$188	\$98	\$1,144	\$342	\$342	\$357
Cost per case month (actual)	\$0.369	\$0.587	\$0.330	\$0.999	\$0.733	\$0.478	\$0.691
Cost per case month (projected) <sup>a</sup>	\$0.369	\$0.305	\$0.330	\$0.262	\$0.417	\$0.307	\$0.319
<i>Food Stamp Benefits</i>							
Cost per claim (actual)	\$1,051	\$168	n/a	\$1,317	\$378	\$831	\$582
Cost per case month (actual)	\$0.326	\$0.101		\$0.328	\$0.426	\$0.184	\$0.344
Cost per case month (projected) <sup>a</sup>	\$0.326	\$0.059		\$0.164	\$0.263	\$0.161	\$0.203

<sup>a</sup> Projected costs in New Mexico assume the Reg E project director and Reg E coordinator are replaced by a full-time staff member at the Help Desk. Projected costs in Hudson County assume that investigators' time spent waiting for clients to arrive can be spent productively on non-Reg E activities. No changes in staffing or procedures are assumed for Camden County or Citibank's DPC system.

Some of the administrative costs in Hudson County were relatively fixed with respect to number of claims submitted; this is true of investigation costs because staffing levels were established before the start of the demonstrations. This fixed component helps explain the high average cost per claim in Hudson County, where claim rates were low. Indeed, when administrative costs are measured on a per-case-month basis rather than per claim, cost differences across sites decline. As shown in Exhibit 3, Citibank still has the lowest average cost for claims involving cash assistance benefits, but now Hudson County's AFDC claim cost of \$0.999 per case month is only three times higher than Citibank's cost of \$0.330 per case month, not close to 12 times higher, as was the case with per-claim costs.

When compared to costs in Camden County, Reg E increased administrative costs for the cash assistance programs more so than for the Food Stamp Program. This differential impact on program costs is due to two reasons. First, claim rates for food stamp benefits were much lower than for cash assistance benefits in all sites, but more so in the Reg E sites than in Camden County. Compared to the Reg E sites, therefore, Camden County had relatively more food stamp claims to handle and investigate, narrowing the cross-site difference in food stamp administrative costs. Second, caseworker costs have been allocated across programs in proportion to caseload size. Because caseworker costs represented a larger share of Camden County's administrative costs than in any other site, this increased food stamp costs in Camden more than in the Reg E sites, again reducing cross-site differences in administrative costs.

### **Projected Costs**

The last row of each section of Exhibit 3 presents projected Reg E costs under different assumptions about staffing plans. As shown in the exhibit, the projected costs for the Citibank DPC system do not change; Citibank's staffing patterns and claim investigation procedures were already responsive to workload changes. The lower projected costs for the three New Mexico counties arise from the EBT project director's plan to more thoroughly integrate Reg E processing with Help Desk procedures had Reg E become mandatory for all EBT systems. Finally, although Hudson County staff indicated that staffing patterns would not have changed had Reg E become permanent, the projected costs in the exhibit assume that the previously-mentioned time spent waiting to meet with clients could have been spent productively on non-Reg E tasks.

If the per-case-month projections in Exhibit 3 are adjusted to a common claim rate and projected nationally, the projected total administrative costs for cash assistance claims vary between \$6.4 and \$22.3 million annually, with the lower projection based on the San Juan County and Citibank DPC system experiences. Total projected food stamp administrative costs vary from \$6.0 to \$41.5 million annually. Again, the San Juan County model has the lowest administrative costs. As a "responsibility standard" site, the San Juan County model has lower projected administration costs because claims of unauthorized card usage generally do not need to be investigated.

The upper end of the administrative cost projections in both programs assumes that caseworker costs increase in proportion to the number of claims filed. If caseworker costs are instead assumed to be fixed with regard to claim rate, the projected annual Reg E administrative costs for the Hudson County and New Mexico models (excluding San Juan County) would be about \$15-\$17 million for the AFDC/TANF programs and \$21-\$22 million for the FSP. The evidence from the demonstrations is not sufficient to identify whether caseworker costs are fixed or variable with respect to claim rate; most of the caseworker time was spent with clients with account problems, but who did not file Reg E claims.

## **LESSONS FROM THE REG E DEMONSTRATIONS**

The Reg E demonstrations provided a wealth of information concerning the provision to clients of extra protections against EBT loss. In addition to the key findings regarding claim rates, liability, and administrative costs, a number of interesting lessons emerged concerning EBT staffing and organization, types of loss incurred, and communicating information to clients, each of which is described below.

### **EBT Staffing and Organization**

As noted in the discussion of administrative costs, these costs probably could have been reduced substantially had several sites changed the way their Reg E units were organized. Based on an analysis of cost components across the sites, the study can offer three organizational strategies for keeping claim handling costs low:

- (1) Integrate claim handling and investigation procedures as much as possible with the EBT system's general approach for handling all system problems (e.g., through use of specially trained "Help Desk" staff).
- (2) At the local office level, concentrate the job of helping clients with EBT card or account problems to a few staff.
- (3) Keep claim tracking and management systems simple.

### **Avoiding Benefit Loss**

Approximately 48 percent of all claims submitted during the demonstration were for losses due to unauthorized card usage. Another 11 percent were for losses resulting from system or procedural error, many of which occurred when store clerks mistakenly submitted an EBT transaction twice for system processing. Both types of loss are avoidable, in theory. What is needed is improved training techniques for both clients and store clerks and, for store clerks, better supervision by management. Whether improved training and management would be cost-effective in reducing loss is not known at this point. With client protections against loss resulting from unauthorized card usage now eliminated, however, helping clients avoid such losses would be most beneficial to them.

### **Communicating Information to Clients**

In accordance with Reg E policy, the demonstration sites prepared lengthy disclosure notices informing clients of their rights and responsibilities in an EBT system. Program administrators generally agree that the disclosure notices were too long, not formatted in an attractive and easily-readable manner, and perhaps too complicated. Many believe that few clients took the time to read the notices.

Even in the absence of a Reg E requirement there is a need to communicate to clients information regarding how to report incidents of benefit loss to the agency. Furthermore, as discussed in the previous section, there is a need to help clients learn how to avoid losses in the first place. Thus, although no longer required, it may still be useful to develop an EBT notice or brochure and to distribute it to existing and new EBT clients. To be successful, however, any new notices will have to be concisely written, attractive, and informative.

## CONCLUSIONS

Findings from the Reg E demonstrations confirm some concerns program administrators had about applying Reg E to EBT systems, but fail to support other concerns. In particular, Reg E administrative costs were high in some sites, much higher than liability costs and often equal to or greater than the savings in issuance costs that states expect when they convert from paper issuance to EBT. Thus, if Reg E had become mandatory, its administrative costs might have been large enough to change some states' minds about converting to EBT. It does appear, however, that the observed Reg E administrative costs could have been reduced substantially—through changes in staffing structures—if Reg E had continued.

Somewhat surprisingly, the demonstration sites did not experience a large number of Reg E claims of lost benefits. Furthermore, the sites ended up denying most claims of unauthorized card usage because clients often failed to provide requested documentation. In addition, relatively few claims with provisional credits were subsequently denied. Taken together, these three factors explain why concerns over Reg E's impacts on financial liability were not realized.

## CHAPTER ONE

### INTRODUCTION

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Under the sponsorship of the U.S. Department of Agriculture's Food and Consumer Service (FCS) and other federal agencies, electronic benefit transfer (EBT) systems have been implemented in a number of different sites across the country. These systems deliver benefits electronically for a number of state, federal (but state-administered), and direct federal programs. State programs using EBT to deliver benefits include General Assistance, and direct federal programs using EBT include Social Security (Old Age, Survivors, and Disability Insurance, or OASDI), Supplemental Security Income (SSI), and other federal retirement and disability programs. By far the largest users of EBT systems to date, however, are the state-administered assistance programs; these include the Food Stamp Program (FSP), the Aid to Families with Dependent Children (AFDC) program, and the new Temporary Assistance for Needy Families (TANF) programs.<sup>1</sup>

EBT systems use either of two alternative technologies—on-line or off-line. On-line EBT systems work very much like commercial bank card networks. Program participants receive an EBT card and select a personal identification number, or PIN. The EBT card, which has a magnetic stripe on the back encoded with identifying information, is functionally similar to a bank debit card. Using the EBT card and PIN, the EBT cardholder can access cash assistance program benefits either by withdrawing them from an automated teller machine (ATM) or by using them at the point of sale (POS) to make purchases or to receive cash back. For the FSP, the EBT card can be used to access food stamp benefits to pay for purchases in program-authorized food retail outlets. Whether the transaction is initiated at an ATM or POS terminal, the device must establish an on-line telecommunications connection to a central computer to check the cardholder's remaining balance before the transaction can be authorized.

Off-line systems, in contrast, store information about the client's remaining balances and the encoded PIN in the EBT card itself, thereby avoiding the need to establish contact with a central computer for transaction authorization. To date, two off-line EBT systems using stored

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<sup>1</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 eliminates the AFDC program and provides block grant funding for states implementing TANF programs.

value cards have been tested. Both have issued FSP benefits; one has also issued benefits in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

Evaluations of several demonstration on-line EBT systems have shown that they can be a cost-effective alternative to the issuance of government assistance checks and paper food stamp coupons,<sup>2</sup> and Congress—with passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (welfare reform legislation)—now requires that states implement EBT systems before October 1, 2002.<sup>3</sup> Prior to passage of the Act, however, there was considerable discussion and debate over whether these EBT systems should be subject to the provisions of "Regulation E."<sup>4</sup>

Regulation E (or simply "Reg E") implements the provisions of the Electronic Fund Transfer Act (EFTA), which establishes a framework of legal rights and responsibilities for participants in electronic fund transfer systems.<sup>5</sup> Several provisions within the regulation protect clients against loss associated with use of their debit cards. In March 1994, the Board of Governors of the Federal Reserve voted to extend the provisions of Reg E to all on-line EBT systems, with a three-year implementation period. Congress eventually decided to exempt certain EBT systems from the provisions of Reg E as part of its welfare reform legislation,<sup>6</sup> but only after several demonstrations had been conducted to determine the impacts of applying Reg E to EBT systems. This report presents the findings of an evaluation of those demonstrations.

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<sup>2</sup> See, for example, John A. Kirlin, *The Evaluation of the Expanded EBT Demonstration in Maryland: Summary of Findings*, Cambridge, MA: Abt Associates Inc., 1994. Evaluations to determine the cost-effectiveness of off-line EBT systems are still underway.

<sup>3</sup> With regard to using EBT systems to deliver food stamp benefits, the Act does allow the Secretary of the U.S. Department of Agriculture to grant waivers to states facing "unusual barriers to implementation."

<sup>4</sup> The debate was framed solely in terms of on-line EBT systems for two reasons: few states were considering off-line systems at the time, and Regulation E itself was designed to cover commercial on-line systems.

<sup>5</sup> 15 U.S.C. § 1693.

<sup>6</sup> The Act exempts from Reg E requirements any EBT programs established under state or local law or administered by a state or local government.



## **1.1 EBT SYSTEMS AND CLIENT PROTECTIONS AGAINST BENEFIT LOSS**

All EBT systems provide their users with some protections against benefit loss. For instance, if an EBT cardholder reports that an ATM dispensed fewer AFDC benefits than requested and debited from her EBT account, the EBT system vendor will typically initiate an investigation; the missing benefits will be credited to the account if the ATM misdispense is verified. Most EBT systems, however, will not reimburse losses due to unauthorized card usage. An example would be when a lost or stolen EBT card is used to withdraw funds from an ATM or to buy groceries at a store equipped to accept EBT transactions at the POS. Part of the reasoning for not reimbursing such losses is that cardholders can prevent unauthorized use of a lost or stolen card if they keep their PINs a secret; an EBT transaction cannot be completed without knowledge of the cardholder's PIN. Although all EBT systems provide clients some protection against benefit loss, the nature of the protection varies by program, as described below.

### **Food Stamp Program**

FSP regulations require that state agencies be liable for benefits lost or stolen as a result of EBT system error or fraud. Some client advocates have suggested that the rules are not as specific as they should be with regard to when recipient benefits should be replaced by the state agency. Towards that end, the Department of Agriculture may in the future propose regulatory changes for the purpose of clarification. For now, existing food stamp regulations specify:

- "Once a household reports that their EBT card has been lost or stolen, the State agency shall assume liability for benefits subsequently drawn from the account and replace any lost or stolen benefits to the household" (7 CFR § 274.12(f)(5)(iv)).
- "Errors (i.e., problem transactions) shall be resolved in a timely manner" (7 CFR § 274.12(h)(2)(iii)).
- "The State agency shall be strictly liable for manual transactions that result in excess deductions from a household's account" (7 CFR § 274.12(l)(5)).
- "State agencies shall be held strictly liable for overissuances resulting from Electronic Benefit Transfer system errors and unauthorized account activities" (7 CFR § 276.2(b)(7)).

These program regulations do not stipulate how quickly benefits need to be replaced in the above situations. They also make no provision for providing an interim (or provisional) credit to the food stamp household during any period of investigation.

### **Cash Assistance Programs**

State EBT systems also deliver benefits for one or more cash assistance programs. The most notable of these programs has been AFDC (now being replaced by the TANF programs), but other programs include General Assistance (GA) and Refugee Assistance (RA).

Currently, no federal rules govern the replacement of lost cash assistance benefits within a state's EBT system. States and their EBT vendors have generally applied the same benefit replacement policy, however, for both food stamp and cash assistance benefits. Thus, the protections outlined above for lost food stamp benefits have applied to lost cash assistance benefits as well. In addition, recipient claims of ATM misdispenses are typically investigated by the EBT vendor and ATM owner. If an ATM misdispense is verified, the missing benefits are reimbursed to the client.

### **Direct Federal Programs**

Unlike the EBT systems providing benefits for state-administered programs, EBT systems providing direct federal program benefits have always operated under the provisions of Reg E. With respect to client claims of lost benefits, the provisions of Reg E require:

- that clients receive a disclosure notice each year summarizing their liability for unauthorized card usage and detailing error resolution procedures (12 CFR § 205.7(a)(10));
- that a client's liability for unauthorized usage of his or her card be limited to \$50 if the loss is reported within two days of discovery<sup>7</sup> (12 CFR § 205.6(b)); and
- that card issuers complete their investigation within 45 days (for losses at an ATM) or 90 days (for losses at a POS device), but that the amount of the loss be credited to the cardholder within 10 days (ATM) or 20 days (POS) if the investigation is not complete by that time.

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<sup>7</sup> Liability increases to up to \$500 if the loss is reported more than two days after the loss is discovered, but within 60 days. If a loss is not reported within 60 days of its discovery, the cardholder assumes full liability for the loss.

Welfare reform legislation *does not* exempt EBT systems providing direct federal program benefits from the provisions of Reg E, nor does it address EBT systems providing both state and federal benefits.

### **EBT vs. Reg E Protections Against Loss**

The differences between standard EBT protections against loss and Reg E protections can now be better defined. First, losses due to unauthorized card usage are not reimbursable in state-administered EBT systems (unless the recipient had already reported the card as lost or stolen); they are reimbursable under Reg E, although the client does bear some liability. Second, Reg E requires investigations to be completed within 45 to 90 days; there is no defined timeliness standard for investigation and processing of EBT claims of loss. Third, unlike systems operating under Reg E, EBT systems do not provide for interim crediting of the loss amount. Fourth and finally, state agencies are not required to provide disclosure notices to recipients. (Instead of disclosure notices, however, nearly all recipients receive special EBT training. During each training session, recipients are told to protect their cards and their PINs and to whom account problems should be reported.)

## **1.2 REG E AND EBT SYSTEMS**

The Federal Reserve Board's 1994 decision to extend the provisions of Reg E to EBT was controversial. Client advocates supported the decision, asserting that households receiving public assistance should have the same protections against loss as anyone using a debit card to withdraw funds from a bank account or to purchase goods or services at a POS terminal. Many federal and state proponents of EBT systems serving state-administered programs, however, argued against the regulation's application to EBT. These proponents believed that existing program protections included in EBT systems were both sufficient and appropriate, especially given that risk controls available to the private sector (e.g., revoking use of a bank card) were either not available to public programs or were difficult to implement.

Program administrators also were concerned about the requirement to replace benefits (above the client's \$50 liability) for losses associated with unauthorized card usage. They reasoned that if clients followed prudent procedures in keeping their PINs secret, most types of unauthorized transactions could not occur. Thus, administrators believed that introducing a

replacement policy for such losses reduced the incentive to safeguard one's PIN, which could increase incidents of loss. In addition, program officials were concerned about fraudulent claims of loss and the possible difficulty in identifying such claims during investigations.

Finally, given the lack of generalizable Reg E experience in EBT applications and the consequent uncertainty over the cost impacts of applying Reg E to EBT systems, EBT proponents feared the Board's decision would substantially delay or even halt EBT system development and expansion. This would prevent program participants from enjoying the positive features of EBT systems that had been documented during previous demonstrations of the technology.

In the midst of this controversy stood officials of the U.S. Department of Treasury's Financial Management Service (FMS). FMS supports EBT systems as a means of providing direct federal payments to clients without bank accounts. Because Treasury uses financial institutions to deliver EBT benefits, it has never tried to make a distinction between private and public sector applications of EBT. Instead, FMS has required the incorporation of Reg E protections in these systems from their inception. The most notable example is a direct federal payment system called the Direct Payment Card (DPC) system, operated by Citibank EBT Services (Citibank) and serving clients in Texas. Reg E protections have not led to large levels of replaced benefits in the DPC system.<sup>8</sup> Opponents of applying Reg E to state-administered programs, however, believed that the direct federal and state-administered programs and clientele were sufficiently different from one another that Reg E experience with direct federal programs could not be generalized to predict what might happen if Reg E were applied to state-administered programs.

Faced with these uncertainties and opposing viewpoints, the Board of Governors provided a three-year implementation period for applying Reg E to EBT systems. The purpose of the three-year implementation period was to give federal and state agencies time to:

- learn more about the likely impacts of Reg E on administrative costs and benefit replacements;

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<sup>8</sup> From the start of DPC system operations in April 1992 through June 1994, the number of approved claims of unauthorized usage averaged just over one per 10,000 case months (with a "case month" representing one month of EBT participation by one cardholder). The total cost of replaced benefits averaged just \$0.03 per case month. See "Direct Payment Card: Expansion Evaluation," Citibank EBT Services (undated).

- assess the effectiveness of different strategies for implementing Reg E and controlling claims of benefit loss; and
- prepare funding plans for any costs associated with the application of Reg E.

This three-year period was also used by Congress to consider the advantages and disadvantages of applying Reg E to EBT systems. It was after several hearings, including one in which preliminary findings from the Reg E demonstrations described below were presented,<sup>9</sup> that Congress elected to exempt state- and county-administered EBT systems from the provisions of Reg E. One reason for exempting these EBT systems was to foster the widespread acceptance and implementation of EBT by 2002.

### 1.3 THE REG E DEMONSTRATIONS

Not knowing whether legislative action would be forthcoming, and in an effort to provide empirical evidence on the impacts of applying Reg E to EBT systems, federal and state agencies used the three-year implementation period to conduct a series of demonstrations in which several sites with EBT systems operated under Reg E provisions for 12 months. Interested states with EBT systems were invited to submit proposals for implementing Reg E. Two states—New Jersey and New Mexico—were selected for the demonstrations. Within these two states, four sites (Hudson County in New Jersey, and Bernalillo, Doña Ana, and San Juan counties in New Mexico) implemented Reg E protections. One county (Camden in New Jersey) continued to operate under regular EBT protections and thereby served as a comparison site for the evaluation. Citibank's DPC system in Texas was also included as a Reg E demonstration site. The DPC system has been operating under the provisions of Reg E since the system's

**Exhibit 1-1**  
**OVERVIEW OF DEMONSTRATION SITES**

Site	Programs Served	Average Monthly Caseload <sup>a</sup>	Percent Urban <sup>b</sup>	Combined Larceny and Robbery Rates <sup>c</sup>
Camden County, NJ (comparison site)	AFDC, FSP	22,740	97.5%	49.8
San Juan County, NM (responsibility standard site)	AFDC, FSP	3,514	61.1%	64.5
Citibank DPC System (TX) (full Reg E site)	OASDI, SSI, others	12,405	80.3%	49.1
Hudson County, NJ (full Reg E site)	AFDC, FSP	28,456	100.0%	36.1
Bernalillo County, NM (full Reg E site)	AFDC, FSP	24,703	95.6%	59.8
Doña Ana County, NM (full Reg E site)	AFDC, FSP	10,259	73.9%	59.5

- <sup>a</sup> Unduplicated case count (i.e., households receiving both food stamps and AFDC are counted just once). Average monthly caseloads, by program, are presented in Appendix E.
- <sup>b</sup> *Census of Population and Housing, 1990: Summary Tape Files on CD-ROM*, Bureau of the Census, U.S. Department of Commerce, 1992. Percent urban is defined as the percentage of an area's population living within an "urbanized area," which is any central place and densely-settled fringe with a minimum of 50,000 persons.
- <sup>c</sup> Source: *Crime in the United States*, Federal Bureau of Investigation, U.S. Department of Justice, 1995. Rates are defined as number of offenses per 1,000 persons.

Mexico served clients receiving food stamps and/or AFDC benefits. In contrast, Citibank's DPC system served clients receiving either Social Security or SSI payments, or one of several different federal retirement or disability programs.

The demonstration sites also varied in what types of loss were reimbursable and claim handling procedures. As one reads down Exhibit 1-1, the sites generally are listed in *ascending* order of the protections they provided clients against loss of benefits. For instance, the comparison site of Camden County offered only regular EBT system protections against loss; there were no protections against losses due to unauthorized card usage, and there were no interim credits or deadlines for claim investigations.

San Juan County, in contrast, participated as a Reg E demonstration site, and Reg E provisions regarding how quickly claims of loss had to be investigated were in effect there, as

was the requirement that provisional credits be granted if investigations could not be completed before the Reg E deadlines. New Mexico wanted to explicitly test a different set of client protections than offered by Reg E, however, so San Juan County participated in the Reg E demonstrations as a "responsibility standard" site. This meant that losses due to unauthorized card usage were not reimbursed if the transaction in question was initiated with a valid EBT card and PIN. Therefore, with respect to which types of loss were reimbursable, the protections offered clients in San Juan County were nearly identical to those offered in Camden County.

The last four sites were Citibank's DPC system, Hudson County in New Jersey, and Bernalillo County and Doña Ana County in New Mexico. All four sites operated under "full" Reg E protections during the demonstration periods. Thus, unlike Camden and San Juan counties, losses due to unauthorized card usage were reimbursable in these four sites if the client cooperated with the investigation and the circumstances of the loss could be verified.

In terms of planned procedural differences in Reg E practices across the sites, all claims of loss due to unauthorized card usage were investigated in Hudson County, whereas New Mexico officials—in an effort to control uncertain administrative costs—had discretion over whether to investigate or simply approve claims involving "small" loss amounts.<sup>11</sup> The sites' planned administrative controls for reducing future losses also varied, ranging from additional training in how to use and protect one's card and PIN, to conversion from EBT back to check issuance. (The latter control was used only in the Citibank DPC system, where participation is voluntary.) In addition, all offices in Bernalillo County initiated, as part of the demonstration, a policy of charging clients \$2 for replacement cards (beyond the first card lost in any calendar quarter), in an effort to reduce card loss. Another administrative control, implemented in March 1996, was the issuance of photo EBT cards to new applicants and those recipients needing replacement cards in two of the four local offices in Bernalillo County. New Mexico expects that use of a photo EBT card will reduce the frequency of card loss and any associated unauthorized transactions.

The sites' geographic settings were quite different as well. Camden, Hudson, and Bernalillo counties represented highly urbanized areas with large central cities (Newark, Jersey

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<sup>11</sup> In practice, however, New Mexico officials did not exercise this discretion, in large part because the volume of claims was small enough that all claims could be investigated with available resources.

City, and Albuquerque, respectively) and large caseloads, whereas Doña Ana and San Juan counties in New Mexico were less urbanized and had smaller central cities (Las Cruces and Farmington, respectively) and smaller caseloads. The DPC system in Texas, on the other hand, covered a variety of both urban and rural environments; its caseload was small (for a statewide system) because, unlike the other EBT systems, participation in the DPC system was voluntary. As shown in Exhibit 1-1, crime rates, as measured by the annual number of robberies and larcenies per 1,000 population, also varied across the sites, although perhaps not to as great an extent as might have been expected.

Finally, the demographics of the EBT caseloads in the New Jersey and New Mexico sites varied considerably, especially in the area of race and ethnicity.<sup>12</sup> For instance, the percent of Hispanic recipients in the site caseloads varied from 12 percent in San Juan County to 79 percent in Doña Ana County, whereas the percent of African-Americans ranged from five percent or less in all three New Mexico counties to 45 percent in Camden County. Native Americans, who represented less than one percent of the New Jersey and Doña Ana County caseloads, represented 7 percent of the Bernalillo County caseload and 57 percent of the San Juan County caseload.

#### **1.4 THE EVALUATION OF THE DEMONSTRATIONS**

The purpose of the Reg E demonstrations was to gain experience in how to implement Reg E and various claims control strategies in an EBT environment, and to learn about the administrative and benefit replacement costs that arise when implementing the regulation. Specifically, the evaluation of the demonstrations has four primary objectives:

- (1) To describe systematically how Reg E was implemented in each demonstration site and to compare protection and claims procedures across the Reg E sites and Camden County;
- (2) To assess and compare the frequency and dollar value of benefit claims and replacements in each Reg E site, in Camden County, and in other EBT sites not operating under Reg E;

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<sup>12</sup> Demographic information was not available for participants in Citibank's DPC system. Appendix I presents a more detailed comparison of the caseload demographics in the five New Jersey and New Mexico counties.



- (3) To measure and compare the administrative costs of processing reported EBT losses in each Reg E site and in Camden County; and
- (4) To elicit comments from stakeholders on Reg E policy and operational changes that, within the context of EBT, offer a better balance between recipient protection and program accountability.

The research design for the evaluation is essentially cross-sectional, with Camden County serving as the comparison site, San Juan County representing one particular type of Reg E treatment, and the remaining four sites representing full Reg E treatments. In addition to using Camden County as a formal comparison site (with pre-arranged plans for collecting data on claims of lost benefits and the administrative costs of processing these claims), the evaluation used extant data on claims of loss from other EBT sites to broaden the base of comparison data. This was possible because all EBT sites offer clients protection against certain types of loss, especially those due to ATM misdisburses (when an ATM disburses fewer funds than requested and debited from the client's account) or errors in system operating procedures or processing. Specifically, information on claims of lost AFDC and food stamp benefits was gathered from the EBT systems in Maryland, Ramsey County (Minnesota), and New Mexico.<sup>13</sup> The New Mexico comparison data include claims filed before the introduction of Reg E and, for counties not participating in the Reg E demonstrations, claims filed during the demonstration period.

Another issue concerning research design is the relative timing of Reg E and EBT implementation. In planning for the Reg E demonstrations, both FCS and the Administration for Children and Families (ACF) realized that implementing Reg E protections in a site already on EBT would not replicate many future implementations of Reg E, and that this might affect the generalizability of demonstration results. The specific concern was that clients in sites already on EBT might not be as aware of the new Reg E protections as would clients in sites with simultaneous implementation. Consequently, FCS and ACF wanted one or more demonstration sites in New Mexico or New Jersey to implement EBT and Reg E concurrently. This was not possible in New Mexico, where the Reg E demonstrations ran from May 1995 to April 1996 in all three counties. EBT had been fully implemented in Bernalillo County since

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<sup>13</sup> Except for South Carolina, no other reasonably-sized sites were issuing benefits through on-line EBT systems at the time of data collection. The South Carolina system issues food stamp benefits, but not AFDC benefits, so no attempts were made to collect comparable data on benefit loss.

March 1992 and, as part of a statewide expansion of EBT, San Juan County finished its conversion to EBT by July 1994. It had been hoped that EBT and Reg E could be implemented simultaneously in Doña Ana County, where EBT conversion started in October 1994, but delays in the start of the Reg E demonstrations precluded this.

Simultaneous implementation of EBT and Reg E was possible in New Jersey. The 12-month Reg E demonstration began in Hudson County in March 1995, which is the same time the county began converting to EBT. EBT conversion was completed in Hudson County by May 1, 1995. The comparison site of Camden County has been operating under EBT since April 1994.

The Citibank DPC system also had simultaneous implementation of EBT and Reg E. Citibank first implemented its DPC system, with full Reg E protections, in the Houston area in April 1992. The system then expanded to the Dallas-Fort Worth area in November 1993; it is now available statewide. The Reg E demonstration period for the DPC system was the same as for Hudson County—March 1995 through February 1996.

## 1.5 ORGANIZATION OF THE REPORT

Chapter Two of this report, together with appendices A through D, addresses the evaluation's first objective—describing how Reg E was implemented in the demonstration sites and comparing protection and claims procedures across the demonstration sites. Evidence on Reg E's impacts on frequency of benefit claims is presented in Chapter Three, and Chapter Four discusses what impact those claims had on levels of replaced benefits. The administrative costs of processing EBT claims in Camden County and Reg E claims in the other sites are examined in Chapter Five.

Chapter Six presents the results of efforts to project the likely impacts of implementing Reg E in other state-administered EBT systems, given what has been learned from these demonstrations. The report concludes in Chapter Seven by examining what lessons the demonstrations offer in terms of protecting clients against benefit loss.

## **CHAPTER TWO**

### **PLANNING FOR AND IMPLEMENTING REGULATION E**

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The process of planning for and implementing the Reg E demonstrations involved representatives from federal and state government agencies, EBT vendors, and client advocacy groups. These representatives worked together to develop a series of demonstrations that would provide the information needed for implementation of Reg E protections in all EBT sites by March 1997—the end of the Board of Governors’ intended three-year implementation period. With Congress’ exemption of state-administered EBT systems from the provisions of Reg E, this demonstration experience is no longer directly relevant to state efforts to implement EBT systems by 2002. Nevertheless, the Reg E demonstrations offer lessons to be learned for the provision of EBT client protections more generally. For instance, they provide the first state and county experience investigating claims of unauthorized card usage. They also represent the first systematic documentation of Reg E costs in an EBT environment. The demonstrations should also offer particularly valuable insights for states implementing EBT systems that include both state-administered and direct federal programs. These states need to operate the direct federal program portion of their EBT systems under Reg E protections.

This chapter details how the demonstration sites, the federal agencies, the Federal EBT Task Force, and a number of client advocacy groups addressed the numerous issues that arose in establishing Reg E policy for the demonstrations and in implementing the policy and associated Reg E procedures in each site.

#### **2.1 ESTABLISHING GENERAL POLICY**

Planning for the demonstrations began with a broad policy discussion of how the provisions of Reg E could be applied in an EBT environment. Reg E has been applied in the banking industry since 1979, but applying it to public sector assistance programs posed new policy issues, especially when the protections embodied in the regulation overlapped with existing program rules and protections. Program administrators, with input from client advocates, also had to define exactly what would constitute a Reg E-covered loss, and when and how clients would be liable for a portion of the loss. Finally, decisions had to be made about

the proper content and format for a disclosure statement for an EBT system operating under Reg E protections. This section discusses each of these three broad issues.

### **Applying Reg E to Public Sector Assistance Programs**

During the summer and fall of 1994 there were many meetings among demonstration planners to discuss and interpret the provisions of Reg E in the context of EBT. Two broad policy issues were addressed: what to do when program regulations offered greater protections than did Reg E, and whether claims could be categorically denied for any reason.

**EBT Versus Reg E Protections.** The planning meetings raised a number of fundamental questions regarding the relative level of protection offered by program regulations and Reg E. For instance, if a single claim of unauthorized use of an EBT card involved loss in two or more programs, should the client's \$50 liability—as defined by Reg E—be applied just once, or separately for each program? Or, given that program benefits are generally issued for a specified household "unit," should an "unauthorized" transaction by a household member other than the cardholder be treated as an unauthorized usage of the card, subject to reimbursement? Or again, if a provisional credit were granted for a Reg E claim, could the entire credit be immediately debited from the client's EBT account if the claim were subsequently denied (as is done in the private sector)?

During these meetings, and after discussions with the Federal Reserve Board and the Department of Agriculture's Office of General Counsel (OGC), a general consensus arose—when Reg E protections and program policy do not match, *follow the policy providing the greatest level of protection to the cardholder*. Thus, it was decided that cardholders would be liable for just \$50, even if unauthorized transactions were made against both their AFDC and food stamp benefits.<sup>1</sup> Similarly, unauthorized transactions made by other household members would be reimbursable, although the cardholder would be expected to cooperate with the investigation and be willing to prosecute. For claims denied after a provisional credit had been granted, recovery of funds would follow established program rules for recoupment of benefits rather than an immediate debit for the full amount. In addition, program regulations regarding the client's

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<sup>1</sup> The \$50 maximum for liability holds only if the client reports the loss within two days of its discovery. After two days the maximum liability increases to \$500.

right to a fair hearing following any adverse action would be retained, another protection not included in Reg E. In this regard, then, New Mexico and New Jersey implemented what might be called "super" Reg E protections—not only did clients in these states' demonstration sites have greater protections against loss than other EBT participants, they had greater protections than are available under Reg E in the private sector, including those clients participating in Citibank's DPC system.

**Categorical Denials.** Another issue regarding the application of Reg E to public sector programs arose during the early planning months. According to staff at the Federal Reserve Board, Reg E claims are supposed to be reviewed and acted upon on a case-by-case basis by weighing *all* available evidence. That is, a decision to deny a claim should not be based on a single criterion that disregards other information about the claim. This discussion followed a query by program staff as to whether claims could be denied on a categorical basis (e.g., categorically deny the second claim from the same client in a given time period).

Acting on all claims on a case-by-case basis clearly increases the administrative cost of the review process (one of the concerns of program administrators). Moreover, it also introduces some subjectivity into the process of deciding whether to approve or deny a claim; that is, the importance of various circumstances of the claim need to be "weighed" (a subjective determination) before making a decision. Many public sector programs seek to avoid such subjectivity, inasmuch as it is difficult to ensure equal treatment of all cases in such an environment. Thus, some program administrators planning for the Reg E demonstrations felt uncomfortable with this case-by-case approach.

Demonstration planners handled this dilemma in two ways. First, they generally agreed that all available evidence pertaining to a claim would be considered when making a decision whether to approve or deny the claim. This is how Citibank had been handling its claims in the DPC system in Texas. Second, however, planners for the New Jersey and New Mexico demonstrations argued that a claim should be denied outright if the claimant failed to meet procedural requirements of the claim's investigation (e.g., by failing to file a police report, if requested). The rationale for this categorical basis for denial was that pre-existing program regulations required such cooperation in other (non-Reg E) investigations. Federal Reserve Board staff agreed that such categorical denials would be appropriate given the program regulations.

Although not discussed during the planning stage of the demonstrations, Reg E officials in New Jersey and New Mexico added two other categorical reasons for denying a claim during the demonstrations. Claims were denied outright if the type of benefit loss was not reimbursable (as defined in the next section), and they were denied outright if the amount of loss was less than the claimant's maximum liability under Reg E (e.g., \$50 for loss due to unauthorized card usage).

### **Determine What Constitutes a Reg E-Covered Incident**

Together with discussion of how to apply Reg E in EBT systems, the states had to decide what types of loss would be reimbursable under Reg E. For losses already deemed reimbursable under current EBT applications, this was not a problem. Adhering to the decision that the demonstrations should include all protections already in place in EBT systems, these losses continued to be treated as reimbursable (assuming verification of the circumstances of the reported loss). Thus, as shown in Exhibit 2-1, any losses reimbursable in Camden County, which operated under regular EBT protections, were treated as Reg E-covered losses in both San Juan County (the responsibility standard site) and the four full Reg E protection sites. These losses included ATM misdispenses, losses due to three types of system or procedural error, and losses due to employee theft. The three types of system or procedural error were: (1) state or EBT vendor staff fail to disable an EBT card after it has been reported as lost or stolen;<sup>2</sup> (2) a system-processing error resulting from software problems or incorrect operating procedures; and (3) a single transaction at the store being debited twice against a client's account (usually the result of clerk error). Employee theft covers EBT vendor, state, county, and retail store staff.

With a few exceptions (discussed later in this section), this left claims of unauthorized usage as the major type of loss that the sites had to decide how to handle, and this is where the San Juan County protections diverged from the other Reg E sites. In almost all situations of

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<sup>2</sup> Although a loss that occurred *after* an EBT card was reported as lost or stolen was likely due to unauthorized usage of the card, such loss is treated as a "system or procedural error" because, after a card is reported as lost or stolen, an instruction to prevent further system authorization of transactions initiated with the card was supposed to be entered into the computer system. Therefore, if a loss occurred after a card was reported as lost or stolen, there was either failure to follow system operating procedures or an error in the software governing which cards could access the system.



## Exhibit 2-1

## REIMBURSABLE LOSSES, BY SITE

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E			
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
<i>Unauthorized Usage</i>						
Card lost or stolen, user unknown	No	No	Yes	Yes	Yes	Yes
Card stolen, client knows who used card	No	No	Yes <sup>a</sup>	Yes <sup>a</sup>	Yes <sup>a</sup>	Yes <sup>a</sup>
			No <sup>b</sup>			
Client still has card	No	No	Yes	Yes	Yes	Yes
Shoulder surfing <sup>c</sup>	No	Yes	Yes	Yes	Yes	Yes
<i>Non-receipt of Funds</i>						
ATM misdispense	Yes	Yes	Yes	Yes	Yes	Yes
<i>System or Procedural Error</i>						
Loss occurs <i>after</i> card reported as lost or stolen <sup>d</sup>	Yes	Yes	Yes	Yes	Yes	Yes
Processing error <sup>d</sup>	Yes	Yes	Yes	Yes	Yes	Yes
Double debit at store <sup>e</sup>	Yes	Yes	Yes	Yes	Yes	Yes
<i>Other</i>						
Merchant charges fee	No <sup>f</sup>	Yes	na <sup>g</sup>	Yes	Yes	Yes
Employee theft <sup>h</sup>	Yes	Yes	Yes	Yes	Yes	Yes
Forced transaction	No	Yes	Yes	Yes	Yes	Yes
Robbery (after withdrawal)	No	No	No	No	No	No



**Exhibit 2-1 (continued)**  
**REIMBURSABLE LOSSES, BY SITE**

**NOTES:**

- <sup>a</sup> This loss was reimbursable under Reg E, but Reg E officials required that the client file a police report and be willing to prosecute.
  - <sup>b</sup> Citibank would not reimburse the loss if the cardholder knowingly gave the card and PIN to this person at any earlier time.
  - <sup>c</sup> Shoulder surfing refers to a situation in which someone looks over a client's "shoulder" and sees the PIN as it is being entered. If that person can then determine the client's EBT card number (e.g., by picking up a thrown-away receipt), it is possible for a counterfeit card to be made up and used—with the PIN—to steal funds from the account.
  - <sup>d</sup> Liability would fall on whichever organization was responsible for the error. For cards reported as lost or stolen, the organization receiving the report is supposed to enter the information into the system's computer, thereby preventing further use of the card.
  - <sup>e</sup> The presumption is that, upon notification of the error by the EBT vendor, the store would process a refund for the client.
  - <sup>f</sup> The state would notify the merchant that, per their contract, fees are not allowed on EBT transactions. If the merchant continued to charge fees, the contract would be canceled and the EBT equipment removed. Any clients who paid fees, however, would not be reimbursed.
  - <sup>g</sup> "Not applicable"; the Reg E staff know of no restrictions against merchant fees in the DPC system.
  - <sup>h</sup> The presumption is that the employer (EBT vendor, state, county, or retail store) would make restitution.
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**Prepare (and Provide) a Reg E Disclosure Notice**

One of the requirements of Reg E—as it applies to both EBT systems and the private sector—is that a card issuer provide disclosure statements to system participants. Thus, federal and state officials recognized early in the planning stages of the demonstrations that an EBT disclosure notice describing EBT card use and the new Reg E protections and procedures would need to be prepared and made available to EBT clients. This was especially important for those clients already on EBT, inasmuch as the Reg E demonstrations would *change* their protections under EBT. Citibank already had a disclosure statement in use for its DPC system in Texas (see Appendix D for a copy); thus, the bank did not have to participate in this process.

A representative from FCS prepared a first draft of an "EBT Agreement and Disclosure Statement" in September 1994. The six-page document adhered closely to Reg E requirements

covering disclosure of terms by financial institutions to customers receiving debit cards.<sup>4</sup> The document defined terms, explained how to use an EBT card, stressed the importance of keeping one's PIN number a secret, explained how and when to report errors or lost or stolen benefits, described procedures that would be taken to investigate and process claims of lost or stolen benefits, and listed when and under what circumstances information about an EBT account could be disclosed by the government to others. The final page provided space for disclosure agreement signatures by the client and card issuer. The reason for obtaining the client's signature was to document that the client had indeed received a copy of the disclosure notice.

This draft was distributed to FCS, ACF, the Federal EBT Task Force, New Mexico, New Jersey, and representatives from client advocacy organizations. The document was revised (and expanded) several times following a series of meetings in the fall of 1994. Throughout this process, the major concern of the advocates was ensuring that the disclosure clearly specified the cardholder's rights and responsibilities in an EBT system. FCS, on the other hand, was concerned that too much emphasis was being placed on clients' rights without enough being said about clients' responsibilities. Also of major concern to all parties was the resulting length of the document; many believed that EBT clients would not take the time to read a 16-page disclosure notice. There was also concern about the clients being able to read and comprehend the concept of Regulation E. The purpose of the client acknowledgement form was also questioned, as it would only indicate that someone received the disclosure statement, not that they understood the information.

FCS then prepared a final draft of a generic EBT disclosure statement; each state took this model and made changes to reflect its specific situations. In New Mexico the only major change was the deletion of the signature panel acknowledging the cardholder's receipt of the notice (see Appendix B for a copy of the notice). New Mexico planned to mail the disclosure statements to its (already trained) EBT clients, and officials saw no feasible way to ensure that clients would return a signed acknowledgement form. The New Mexico disclosure notice was not translated to any other languages, as it was felt that literacy would be the barrier to understanding the statement, regardless of the language.

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<sup>4</sup> 12 CFR 205.7.

State staff finalized New Jersey's disclosure notice, going through several drafts in an effort to make the document's language as understandable as possible. The Hudson County disclosure notice was eight pages long and covered essentially the same information as the New Mexico disclosure (see Appendix A for a copy of the notice). Hudson County produced both an English version and a Spanish version of the disclosure notice, which was distributed to clients during their EBT training session.<sup>5</sup>

After the Hudson County notice was finished, state staff used it to draft English and Spanish versions of a notice for Camden County (see Appendix D). The Camden County notice was created in response to the concerns of client advocates. The advocates were worried that clients in Camden County would be less likely to report *any* loss, due to lack of information about what to do if an unauthorized transaction was experienced. The notice was mailed to all clients. At only three pages, the Camden notice is shorter than the Hudson County notice for several reasons, but primarily because the protections are different. The Hudson County notice includes more detailed information on reporting a lost or stolen card, including how to report the loss, getting a claim number, and filing a police report.

## **2.2 CLAIM HANDLING PROCEDURES**

An obvious step in planning for the introduction of Reg E was determining exactly how Reg E claims would be accepted, investigated, and administratively processed. This step was fundamental for the demonstration sites: not only did procedures have to be established before any claims could be processed, but the procedures themselves would affect levels of replaced benefits, administrative costs, and interactions with clients. The demonstration experience exemplifies the tradeoffs the sites had to address. For example, New Jersey implemented a system of very thorough investigations, based on already established staffing patterns. Although this model may have increased accuracy and reduced the likelihood of replacing benefits never lost, it also increased administrative costs (as discussed in Chapter Five). The very thorough investigations may have also imposed greater burdens on claimants.

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<sup>5</sup> Recall that Reg E and EBT were implemented simultaneously in Hudson County, precluding the need to distribute disclosure notices to clients who had already been to an EBT training session.

The following framework divides the sites' operating procedures into a series of steps that generally conforms with the order in which claims were processed. The steps are:

- filing a Reg E claim;
- follow-up contact with claimant;
- further processing and investigation;
- notifying claimant of decision;
- providing provisional credit;
- recovering a provisional credit;
- handling client appeals;
- administering corrective actions; and
- tracking Reg E claims.

Each step is discussed below. More detailed descriptions of each site's Reg E operating procedures are provided in Appendices A through C. Camden County's claim investigative procedures are described in Appendix D.

### **Filing a Reg E Claim**

Demonstration officials had to decide to whom clients should report incidents of loss. New Jersey decided that all claims from recipients in Hudson County should be reported to the Help Desk operated by the EBT system vendor, Deluxe Data Systems. This provided a single point of "entry" for all claims, making it easier to ensure that all claims were tracked and that all necessary information was collected in a consistent manner. This approach came closest to matching how reports of benefit loss were handled elsewhere in the state. Citibank also utilized a central Help Desk to which all claims were reported.

New Mexico adopted a more decentralized approach for filing claims. Prior to Reg E most clients reported problems with their EBT card or account to an "EBT specialist" at their local welfare office. Sometimes, however, they would call the state's central EBT Help Desk, which operated mainly to answer questions from merchants and the EBT specialists. New Mexico's disclosure notice instructed clients to report any problems with their EBT account to the Help Desk, but New Mexico also trained the specialists to handle calls involving Reg E-covered losses (as well as calls to report lost or stolen cards). In these situations the specialists

were to fill out a special form and relay the information to the Help Desk, which forwarded the information to the Reg E unit.

A second issue for this initial step in the process was determining what information should be collected from the client. Generally, all the demonstration sites tried to have the client describe the circumstances of the loss in some detail, both to aid further investigation and to establish a "benchmark" explanation for later verification. During this initial contact the sites also used administrative terminals to access their computer system's history file to identify any transactions in question. This sometimes refreshed the client's memory about a forgotten transaction, and the client realized that no loss has actually occurred. In such cases a formal Reg E claim was never filed.

### **Follow-up Contact with Claimant**

In most instances the sites endeavored to have the client report what happened several times during the overall investigation. If the client's story changed over time, the sites were less likely to approve the claim. Citibank and New Mexico therefore asked the client to send in a written statement of what happened, within specified time periods.<sup>6</sup> In contrast, clients in Hudson County were told to go to the Hudson County Investigative Unit (HCIU) to fill out and sign a written affidavit of what happened. Clients in all sites were also asked to submit supporting documentation (e.g., receipts from transactions in question), if available. If the claim involved an unauthorized transaction, clients were often asked to file a police report and to submit a copy of the report.

### **Further Processing and Investigation**

After the client's written report of what happened was submitted, the sites conducted further investigation if necessary. If the claim involved an ATM misdisbursement, the sites—or their EBT vendors—requested a report from the ATM network; the report verified whether a misdisbursement actually occurred and, if so, the amount of the misdisbursement.

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<sup>6</sup> The requirement for a written statement is fully consistent with normal Reg E procedures in the private sector.

Other types of claims evoked yet another contact with the client, usually by telephone, to request again a description of what happened or to pursue any apparent inconsistencies in the client's previous descriptions. If the claim involved a disputed transaction at a POS terminal, the sites sometimes interviewed the store clerk who handled the transaction. For clients who claimed that they did not make the ATM transaction in question (as opposed to claims of ATM misdispense), the sites sometimes sought a copy of any photograph taken by the ATM at the time of the transaction. Such requests were rare, however, in part because photographs often are not available.

Due to their different reimbursement policies for claims of unauthorized card usage, Camden County and San Juan County did not investigate such claims as thoroughly as did the full Reg E sites. When the Deluxe Help desk received calls from Camden County clients about unauthorized card usage, clients were told that such losses were not reimbursable. For claims of unauthorized card usage from San Juan County, the state's Reg E unit carried out an initial investigation to determine whether the disputed transaction had been completed with a valid card and PIN entry. If a valid card with PIN entry had been used, the loss was not reimbursable and the investigation ended.

### **Notifying Claimant of Decision**

After a claim was fully investigated, the sites sent a letter to the client indicating whether the claim was approved or denied and, if approved, for what dollar value. The demonstration sites varied in the practice of including reason for denial in their notice. New Mexico and New Jersey usually indicated the reason for denial; Citibank usually did not, although its notice indicated that clients could request copies of any documentation used by the bank in making its decision.

Notice letters in both New Mexico and New Jersey indicated that the client had a right to a fair hearing or appeal.

### **Providing Provisional Credit**

Reg E stipulates that if a loss involving a transaction at an ATM cannot be fully investigated within ten business days, the card issuer must grant a provisional credit to the client for the full amount of the claimed loss pending a final decision. For losses involving

transactions at a POS terminal, the card issuer has 20 business days to complete an investigation before a provisional credit must be granted. If a claim involves both ATM and POS transactions, the 20-day timeframe applies.

All the demonstration sites (except Camden County) implemented procedures for providing provisional credits to clients' EBT accounts when claims could not be fully investigated within the Reg E deadlines.

### **Recovering a Provisional Credit**

The sites varied in the procedures they followed to recover a provisional credit if the claim was subsequently denied. EBT systems serving food stamp and AFDC clients have rules specifying how quickly overpayments can be recovered; these rules conform to program regulations governing benefit "recoupment." Whether the "overpayment" arises from a duplicate or incorrectly calculated issuance, some other error, or a Reg E provisional credit, no more than \$10 or 10 percent (whichever is greater) of the client's monthly food stamp or AFDC allotment can be recouped. If the client leaves the program before an overpayment is completely recovered, there are three possible outcomes. First, the missing funds may never be recovered, which leaves the agency with an unrecovered liability—one of the concerns of opponents of Reg E. Second, if the client re-enters the program at a later date, the recoupment process can continue; and third, an agency can initiate more traditional credit recovery procedures (e.g., turning the claim over to a commercial collection agency).

The programs participating in Citibank's DPC system do not have regulations analogous to the recoupment procedures for food stamps and AFDC. Thus, if a provisional credit needs to be recovered in the DPC system, Citibank can immediately debit the client's account for the full reimbursement. If sufficient funds are not available for an immediate debit, Citibank is allowed to debit the client's account after the clients' next issuance is posted to his or her DPC account.

### **Handling Client Appeals**

The food stamp and AFDC programs have procedures in place in which a client may appeal an "adverse action," which may include a reduction in authorized benefits or a suspension or termination of eligibility. One of the general Reg E policy decisions made prior to the start

of the demonstrations was that denial of a Reg E claim was an adverse action as well. The New Mexico disclosure notice, therefore, indicated that a client had the right to appeal a denied claim. The appeal initiated an administrative review of the circumstances of the claim, which was conducted by the EBT project director in consultation with the Reg E investigator. If the administrative review upheld the initial reason for denial, clients in New Mexico could request a fair hearing. They could also request a fair hearing directly after receiving notice of the denied claim (thereby skipping the less formal administrative review of the claim).

If a client requested a fair hearing, a date was set by the Hearings Bureau of the State Human Services Department in Santa Fe. Fair hearings were held in person in Santa Fe or via telephonic conference with a Reg E staff representative, the client, and a state hearing officer. Both parties could present information about the claim during the hearing. The hearing officer would then consider this information and make a determination either to support the original decision or to overturn it.

There was no formal administrative review process in Hudson County; the disclosure notice instructed clients to request a fair hearing if they disagreed with the decision to deny their claim. No requests for fair hearings regarding claim decisions were made during the demonstration.

Appeals in the DPC system were handled by the Citibank project manager; there was no recourse to a formal fair hearing. Clients who were dissatisfied with the administrative review of their claim could seek judicial relief. Clients in New Jersey and New Mexico, of course, could also turn to the judicial process if they were not satisfied with a ruling by the Fair Hearing Officer.

### **Administering Corrective Actions**

The demonstration sites implementing Reg E wanted to incorporate actions to reduce subsequent losses by a client. Each of the following potential corrective actions was available for use by at least one of the demonstration sites: requiring additional training in how to use one's card and keep one's PIN secure; restricting cash withdrawals to POS locations where a store clerk can assist the client; requiring use of an authorized representative; bypassing the EBT account for some program funds by making direct restrictive payments (e.g., to a landlord); or—



where EBT participation was not mandatory—returning the client to a paper issuance system. The only action actually taken by the demonstration sites, however, was additional EBT training.

In addition to corrective actions, New Mexico instituted what it hoped to be two "preemptive" actions. Throughout Bernalillo County, clients paid \$2 for each replacement card they needed (beyond the first in any calendar quarter) due to a loss or theft of their old card. In addition, near the end of the demonstration period, two of the four county offices in Bernalillo also began issuing EBT cards containing the client's photograph. State officials hoped that each of these measures would reduce rates of card loss, which in turn might also reduce unauthorized usage of the cards.

### **Tracking Reg E Claims**

New Jersey, New Mexico, and Citibank all used specially-designed and relatively complex tracking systems to record detailed information about Reg E claims filed during their demonstrations. New Jersey and New Mexico used PC-based systems that, for the most part, collected information similar to that of the paper Reg E job ticket that Citibank used (see Appendix C). Both the PC-based and paper-tracking systems provided the information required by the evaluation to assess the impacts of Reg E on benefit replacements. There was no evidence that any of the sites would maintain such detailed tracking systems in the absence of the evaluation's need for the data.

In addition to the Reg E job tickets, Citibank continued using the same tracking system that was in place *before* the start of the demonstration. All written documentation of claim receipt and claim investigation was maintained in claim files, organized by the claimant's last name. The EBT project manager also maintained an electronic spreadsheet of all claims of unauthorized card usage; the spreadsheet maintained the following information: client's name and system identification number; dates that oral and written notifications were received from the client; dates that the investigation was completed and that a notice was sent to the client; dollar amount reimbursed; and, if the claim was denied, the reason for denial. This information was used to generate monthly reports concerning the number of unauthorized claims received and the dollars of benefits replaced as a result of these claims.

Although Hudson County entered data about each claim onto the PC-based tracking system developed for the demonstration's evaluation, the county did not use the information in

the database as a tracking system or management tool. The state's Division of Family Development, however, had access to the Hudson County Reg E database and used it to generate summary reports about Reg E claims. The reports indicated, by month and cumulative since the start of the demonstration, the number of claims submitted by program, reasons for claims, their disposition, and the dollar amounts of provisional credits, approved claims, and credits being recouped.

The Reg E unit in New Mexico used its PC-based Reg E Tracking System (RETS) to generate daily reports of pending claims, and monthly reports of the number of claims filed and whether investigations were being completed within the 10- and 20-day time periods before provisional credits needed to be granted. The Reg E project manager expressed a desire for a tracking system that encompassed all EBT-related problems, with Reg E claims being an

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in response to New Jersey's notice, they pertained to EBT generally and not to Reg E.<sup>7</sup> Thus, this was a task that required relatively little time from demonstration staff and resulted in no change in the proposed implementation of Reg E protections.

### **Develop Necessary Forms and Notices**

Different forms and notices to support the implementation of Reg E or Reg E-like protections were necessary. Examples of forms developed by New Mexico or New Jersey include:

- a claim report to record information provided by the client when a loss was first reported;
- an affidavit that a loss occurred (used only in Hudson County);
- notices to claimants indicating either that credit was being granted provisionally, that the claim was approved, or that the claim was denied (and, possibly, reason for denial); and
- internal forms for notifying other departments of actions that needed to be taken (e.g., grant a provisional credit, initiate recoupment procedures).

The demonstration sites worked to integrate the Reg E operating documents with existing EBT system operating procedures to avoid replication and incompatibility with existing system documents and procedures.

### **Establish Staffing Arrangements**

New Jersey, New Mexico, and the Citibank DPC system provide different models of staffing for Reg E operations. Not surprisingly, the division of labor in the Reg E demonstration sites reflected the respective roles taken on by the states and their EBT vendors under general EBT operations. For example, county agencies in New Jersey have greater autonomy than their counterparts in New Mexico. Thus, in the Hudson County demonstration, county staff had primary responsibility for investigating and processing Reg E claims. In New Mexico, on

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<sup>7</sup> New Jersey's public notice covered the state's overall implementation of its Families First system, with special (i.e., Reg E) provisions noted for Hudson County.

the other hand, all EBT and Reg E functions were handled through a central, statewide EBT unit.

In terms of the roles that the vendors played, the Texas DPC system was administered by Citibank, which handled all facets of the operations including card distribution and replacement, training, problem resolution, and investigations. In New Jersey, Deluxe Data Systems was more involved in ongoing operations of the Reg E demonstration than was First Security Bank, the vendor for the New Mexico EBT system. Again, this reflects the roles that the vendors take under existing EBT operations. First Security Bank continued to operate the New Mexico EBT system in much the same way as it did prior to the demonstration—handling all EBT processing, and researching claims of ATM misdisburses. Nearly all other investigations were handled by the Reg E unit. For the New Jersey system, Deluxe handled initial EBT training and Deluxe staff performed all Help Desk functions.

### **Obtain Necessary Equipment**

The demonstration sites in New Jersey and New Mexico found it necessary to purchase computers and computer accessories to operate their tracking systems, and a phone line had to be installed. There was also a need to obtain other types of equipment in order to implement the demonstration interventions, such as the photo identification equipment in Bernalillo County and a fax machine in Hudson County. A clear lesson from the demonstrations was that acquisition of equipment can be a long process within state bureaucracies. The sites encountered unanticipated delays in this step, resulting in frustration and delay of the demonstrations.

### **Modify EBT Client Training Materials and Train Clients**

Citibank's DPC system training incorporated Reg E rights and responsibilities prior to the demonstration; thus, no modifications to materials were necessary. Both New Jersey and New Mexico had to revise their EBT training materials and procedures to include or expand information related to Reg E issues (e.g., the importance of protecting one's PIN and reporting any suspected loss immediately, how to report a loss, and to whom).

**Train Clients.** In terms of client training, the demonstration sites used two methods: in-person and via mail. Clients of Citibank's DPC system were trained via the mail, receiving a pamphlet explaining their rights and responsibilities. The pamphlet explained that if clients

reported a lost/stolen card within two days, their liability was limited to \$50. The brochure also provided an 800 number to call to report a loss. There was no retraining for clients with lost/stolen cards.

Clients in both Hudson and Camden counties received EBT training in group sessions. Those clients in Camden County who had already been trained on EBT received the disclosure statement in the mail. The basic message in the training was that if clients believed they had experienced a loss, they should file a claim as soon as possible.

In New Mexico, new clients received both EBT and Reg E information during in-person training sessions conducted by their office's EBT specialist. Shortly after the demonstration began, disclosure notices were mailed to all households already on EBT. The notices were also distributed to all new clients and to clients coming into the offices to obtain replacement EBT cards or for recertifications.

Both New Mexico and Hudson County found that Reg E added about five to ten minutes to the client training.

**Train Reg E Staff.** Because Reg E had never been applied to state EBT systems before, New Mexico and New Jersey had no formal training model to follow. (The Citibank DPC system was not considered an applicable model due to the difference in benefit systems and clientele involved.) State staff in New Mexico, and state and county staff in New Jersey, therefore, learned Reg E procedures over time as they made plans for their own demonstrations and began operations.

The EBT specialists in the three demonstration counties in New Mexico did receive formal training by the Reg E manager and coordinator in the month prior to demonstration start-up. Although the EBT specialists were not officially "Reg E" staff, the specialists often served as the first point of contact with clients reporting losses. Thus, it was a must that the EBT specialists be very clear on the policies regarding what qualified as a Reg E claim and on the process for filing a claim.

**Train Other Staff.** Although Reg E tasks were handled by designated groups of staff in the demonstrations, the importance of Reg E training for all staff who had contact with clients became evident during the demonstrations. For example, in New Mexico, even though the Reg E staff trained the EBT specialists, local office supervisors and caseworkers were never formally trained on Reg E demonstration procedures. There were some instances in which a claim was

reported to the caseworker, but it was not forwarded to the Reg E staff in a timely fashion, requiring a provisional credit to be issued.

County supervisors and case workers in Hudson County attended a general training presentation when EBT was implemented. Both at this presentation and in follow-up memoranda and meetings with the administrative supervisors, the chief investigator explained Reg E policy and procedures to income maintenance staff.

## **2.4 CONCLUSIONS**

This chapter has focused on efforts undertaken by federal and state administrators to plan for and implement the Reg E demonstrations. In part, this material provides important contextual information for understanding the demonstration impacts described in the next three chapters. It was also meant, originally, to help states as they prepared to implement Reg E as part of their EBT system operations.

Congressional action exempting state-administered EBT systems from the provisions of Reg E, of course, reduces interest in the latter objective. Program administrators and client advocates, however, are still interested in reducing benefit loss associated with EBT and in helping those who incur loss. In Chapter Seven, we address some of the lessons from the demonstrations that can help programs meet these goals. This current chapter, however, also points out issues germane to helping clients avoid or respond to benefit loss, even in the absence of Reg E requirements. In particular, the relevant questions that program administrators might want to consider with EBT are:

- What types of benefit loss should be reimbursable under EBT? For losses not reimbursable, what is the rationale for not offering clients some protection against such losses?
- What is the most cost-effective way to inform clients of their rights and responsibilities under EBT? Should a disclosure notice be provided and, if so, what information should it provide?
- What is the most cost-effective way to collect information about claimed losses, and how should such claims be handled? Within what timeframes (explicitly published or not) should claims be processed?
- What actions (e.g., additional training, issuing photo EBT cards) can be taken to reduce the likelihood or magnitude of benefit loss?

- On what basis should claims of benefit loss be approved or denied? What is an appropriate level of documentary evidence?

The report will return to these and other related issues in Chapter Seven.

## CHAPTER THREE

### THE IMPACT OF REGULATION E ON BENEFIT CLAIMS

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One of the biggest concerns program administrators had about Reg E was that it might lead to a large—and perhaps huge—increase in submitted claims. This chapter explores the impact of Reg E on the frequency of reported claims of loss. It also looks at the obverse situation—the impact of Reg E on incidents of loss that were *not* reported. If Reg E increased reports of lost benefits, it presumably should have reduced the number of unreported losses as well. This is particularly so for losses due to unauthorized card usage, a loss type not covered by regular EBT protections.

If the introduction of Reg E led more clients to report incidents of lost benefits, one would expect Camden County—as the only non-Reg E site in the demonstrations—to have the lowest rate of reported loss across the six sites (and the highest rate of unreported loss). Conversely, the four full Reg E sites would be expected to have the highest rates of reported loss (and the lowest rates of unreported loss). San Juan County, with its intermediate protections, would be expected to have a claim rate higher than Camden County, but lower than the full Reg E sites. Similarly, its rate of unreported loss would be lower than Camden County's, but higher than that found in the four full Reg E sites.

Demonstration data from the six sites are inconclusive with regard to whether Reg E increased the number of claims submitted. Claim rates (measured as the number of submitted claims per 1,000 cases per month) in some full Reg E sites were higher than in Camden County, as expected, but other Reg E sites had claim rates lower than Camden's. Similarly, the percentage of clients with unreported losses in some Reg E sites was lower than in Camden County (again, as expected), but higher elsewhere.

What is absolutely clear, however, is that none of the sites experienced a large number of claims during the demonstrations. Indeed, in what is probably the demonstrations' most important finding, claim rates in the full Reg E sites and the responsibility standard site were generally low. For claims involving lost cash assistance benefits, claim rates varied from 0.77 (Hudson County) to 3.38 (the Citibank DPC system) claims per 1,000 case months. Claim rates for lost food stamp benefits were considerably lower; they varied from 0.22 (Doña Ana County)



to 1.12 (Bernalillo County). For comparison, cash assistance and food stamp claim rates in Camden County were 0.84 and 0.32, respectively. The most surprising feature of the Camden experience is that, across the two programs, two thirds of all claims were for unauthorized card usage, even though such losses were not reimbursable under regular EBT protections.

Of course, factors other than Reg E could have affected claim rates in the demonstration sites. The six sites differed in terms of geography, urbanization, programs served, client demographics, underlying crime rates, and a host of other factors. To help control for the (unknown) effects of these factors on claim rates, we would have liked to compare claim rates during the demonstration periods with claim rates from the same sites prior to the introduction of Reg E. In general, this was not possible. Two of the six sites—Hudson County and the DPC system in Texas—implemented EBT and Reg E simultaneously; thus, there is no "pre-Reg E" claim experience in these two sites. In addition, historical data on claim rates in Camden County were not available. Such data are available for the three sites in New Mexico, and they initially suggest that Reg E did increase the number of claims submitted there. Problems with comparability of the New Mexico data across time periods, however, reduce the strength of these pre-post comparisons. Thus, although it is possible that Reg E increased claim rates in New Mexico and elsewhere, an equally plausible interpretation of the data is that site differences unrelated to Reg E account for the variation in claim rates.

### **3.1 DATA SOURCES AND RESEARCH APPROACH**

#### **Data Sources**

This evaluation of Reg E's impact on claims of benefit loss is based on data from a variety of sources. The majority of the data comes from claim tracking systems that were in place in each of the sites during their 12-month demonstration periods. Although the design of these systems varied, they collected very similar information. Citibank's DPC system used a paper "job ticket" to track information regarding claims of benefit loss. (A sample job ticket is included at the end of Appendix C to illustrate the type of information collected at each site.) New Mexico and Hudson County used PC-based tracking systems to collect and store information on claims of lost benefits. Finally, the claims data from the comparison site of Camden County came from forms filled out by customer service representatives at Deluxe Data

Systems, New Jersey's EBT vendor. (A copy of the form is included at the end of Appendix A.)

Another major source of data is a survey of EBT clients in each of the six sites. The survey asked clients whether they had ever experienced a loss of benefits and, if so, whether they had *always* reported the loss. If any losses had not been reported, the survey asked for details about the loss (e.g., date it occurred, program involved, size of loss) and why it had not been reported.<sup>1</sup>

Other sources of data used in this analysis include:

- Caseload counts from monthly program authorization files and from Citibank's monthly EBT payment files (to enable computation of claim *rates*);
- Interviews with state, county, and vendor personnel;
- ATM misdispense records, caseload counts, and benefit replacement data from Ramsey County;
- New Mexico EBT problem reports; and
- Interviews with a sample of claimants in each Reg E site.

### **Research Approach**

Throughout this study of Reg E's impact on claims of lost benefits, separate analyses are conducted for cash assistance and food stamp benefits. In addition, the analysis of claims by assistance program is broken out by the four types of claims described in the previous chapter (Exhibit 2-1):

- (1) Claims arising from *unauthorized usage* of a client's EBT card;
- (2) Claims arising from *non-receipt of funds* (i.e., ATM misdispenses);
- (3) Claims arising from *system or procedural errors* (e.g., a transaction mistakenly entered twice at a store's EBT terminal); and
- (4) Claims arising from *other sources* (e.g., employee theft of client benefits, or forced transaction).

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<sup>1</sup> Additional information about this survey is included in Appendix I.

The unit of observation used throughout is the individual claim, with claims that involve losses of both AFDC and food stamp benefits treated as two separate claims. Finally, the basic unit of measure used herein is the "rate" of claim submissions, which is the number of claims submitted per 1,000 cases per month. This measure facilitates comparison of claim experiences across sites and programs with different numbers of cases.

### **3.2 COMPONENTS OF REPORTED AND ACTUAL LOSS**

It is instructive to begin by considering the components of reported and actual benefit loss. This framework will help in formulating hypotheses about the possible impacts of Reg E on benefit loss. (It should also help in understanding the uncertainty faced by demonstration staff as they investigated reports of benefit loss.)

Consider the diagram in Exhibit 3-1. The horizontal bar (blocks A, B, and C) represents all *reported* incidents of loss. The vertical bar (blocks B, D, and E) represents all *actual* incidents of loss. Ideally, for any type of loss that is deemed reimbursable if verified, one would like recipients to be reimbursed for all losses in blocks B, D, and E, but not for any claims of loss in blocks A or C.

Block B represents all actual losses that are reported. Block C represents losses that clients mistakenly believe occurred. (An example would be "loss" caused by an ATM withdrawal or POS purchase that the client has forgotten.) Block A represents fraudulent reports of loss; the client knows the loss did not occur, but reports a loss anyway in hopes of receiving additional benefits.

Together, blocks D and E represent losses that occurred but which are not reported. Clients know that some of these occurred (block D), but fail to report the losses for any number of reasons, e.g., believed loss was not reimbursable, loss too small to bother with reporting, did not know procedures for reporting loss. Block E represents losses that the client does not realize occurred.

The prevalence of unreported losses and the reasons why they are not reported are discussed at the end of this chapter. For now, it is sufficient to say that one objective of Reg E is to minimize the size of block D by informing clients about which losses are reimbursable and letting them know how to report these losses. The mechanism for doing so is the disclosure notice that Reg E requires of all card issuers.

**Exhibit 3-1**  
**COMPONENTS OF REPORTED AND ACTUAL LOSS**

A	B	C	Reported Loss
	D		
	E		
Actual Loss			

**KEY:**

- A + B + C = Reported loss of benefits.  
B + D + E = Actual loss of benefits.  
A = No loss occurred, but client fraudulently reports a loss.  
B = Loss occurred and is reported.  
C = No loss occurred, but client thinks it has and reports it.  
D = Client knows loss occurred, but does not report the loss.  
E = Client fails to recognize that loss occurred (and so does not report it).

For claims of loss that are filed, investigators have to decide which losses actually occurred (block B) and which did not (blocks A and C). The appropriate action for both honest mistakes and fraudulent claims is to deny the claim. If fraud is strongly suspected, of course, program administrators may turn the case over to the Office of Inspector General (OIG) for further investigation and possible sanctions against the claimant.

Given this structure, we can now identify some of the hypothesized impacts on benefit loss and claim rates where Reg E protections are introduced (Exhibit 3-2). In general, one would expect actual loss rates to be largely unaffected (except, perhaps, for losses due to unauthorized card usage), whereas reports of loss would be higher, on average, than in areas without Reg E protections. Expected rates of unreported losses would be lower. These impacts are, of course, only hypotheses. To the extent that clients do not hear about or pay attention to Reg E information about reimbursable claims or how to file a claim, any potential impact on recognized but unreported losses will not materialize. Similarly, fraudulent claims will not increase if hitherto honest clients are not enticed by the increased opportunities for filing claims, nor will they increase if clients believe that fraudulent claims will be uncovered during claim investigations.

**Exhibit 3-2**

**HYPOTHESIZED IMPACTS OF REG E**

***Impacts on Actual Loss Rates***

- ▶ The incidence of actual losses due to non-receipt of funds or system or procedural error should not differ systematically between Reg E and non-Reg E locations. The factors affecting the incidence of these types of losses (e.g., ATM reliability, double debits at stores) should not be affected by the introduction of Reg E.
- ▶ The incidence of actual losses due to unauthorized card usage in Reg E locations might be higher, lower, or the same as elsewhere. The new protections offered by Reg E could reduce clients' incentive to take care of their cards, inasmuch as a portion of any resulting loss now would be reimbursable. On the other hand, the sites' disclosure notices about Reg E, which included reminders about taking care of EBT cards, could increase some clients' care of their cards, reducing the opportunity for loss. Finally, both effects could be at work within different segments of the caseload, leading to no net effect; or neither effect could materialize.

***Impacts on the Reporting of Actual Losses***

- ▶ With increased emphasis on explaining which losses are reimbursable and how to file a claim, the claim rate for losses due to non-receipt of funds and system or procedural error might be higher in Reg E locations than elsewhere, even if the underlying rates of loss were the same.
- ▶ Assuming an increased awareness that losses due to unauthorized card usage are reimbursable, the claim rate for such losses should be higher in Reg E locations than elsewhere.
- ▶ Claim rates, especially for losses due to unauthorized card usage, might be higher in sites where EBT and Reg E are introduced simultaneously (e.g., Citibank's DPC system and the EBT system in Hudson County) than in sites where Reg E follows EBT implementation. When implementation is not concurrent, some system participants may never learn of the new protections offered by Reg E.

***Impacts on Recognized, but Unreported, Losses***

- ▶ With increased emphasis on explaining which losses are reimbursable and how to file a claim, the frequency of recognized, but unreported, losses should be lower in Reg E locations than elsewhere.

***Impacts on the Incidence of Honest Mistakes***

- ▶ The incidence of claims arising from honest mistakes might be higher for all types of loss, with Reg E reminding clients that losses are reimbursable and explaining how losses are to be reported.

***Impacts on the Incidence of Fraudulent Claims***

- ▶ The incidence of fraudulent claims of loss due to unauthorized card usage should be higher in Reg E locations than elsewhere, solely due to such losses being reimbursable.
- ▶ The incidence of fraudulent claims of loss due to any reason might be higher in Reg E locations than elsewhere, due to the availability of provisional credits if investigations cannot be completed within required timeframes.

### 3.3 FREQUENCY OF CLAIMS OF LOST BENEFITS

When the demonstrations began there was concern that Reg E would lead to a very large (but never specified) number of claims of loss being submitted to the welfare offices, especially claims involving unauthorized card use. Contrary to these expectations, the total number of submitted claims was fairly low, as shown in Exhibit 3-3. Bernalillo County was the busiest in terms of total number of claims to process, averaging about 1.5 claims per day.

**Exhibit 3-3**

**TOTAL CLAIMS SUBMITTED BY TYPE OF LOSS**

(Cash Assistance and Food Stamp Combined)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
			Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Site	Camden County (NJ)	San Juan County (NM)					
Unauthorized usage	142	14	141	130	360	18	649
ATM mis-dispense	58	48	323	101	102	61	587
System or procedural error	8	21	38	17	79	18	152
Other	1	0	1	6	2	0	9
Total	209	83	503	254	543	97	1,397
Monthly average	17.4	6.9	41.9	21.2	45.2	8.1	116.4

NOTE: Food stamp benefits are not issued through the Citibank DPC system.

Across all six sites, slightly more than half of all claims were for ATM misdisbursements and system or procedural errors—loss types reimbursable under regular EBT protections. Nearly 48 percent of all claims, however, involved unauthorized card usage. Thus, although claims involving unauthorized card usage did not overwhelm the sites' investigative resources, they certainly represented a significant portion of the entire workload.

Claims of unauthorized card usage also showed quite different levels of frequency across the six sites on a percentage basis, as displayed in Exhibit 3-4. The pattern is fairly

## Exhibit 3-4

**CLAIMS OF UNAUTHORIZED CARD USAGE**  
(Cash Assistance and Food Stamps Combined)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
			Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
As a percentage of all claims	67.9%	16.9%	28.0%	51.2%	66.3%	18.6%	46.5%

surprising. Although claims of unauthorized card usage represented only about 17 percent of all claims in San Juan County (which makes sense, given reimbursement policy there), such claims represented over two thirds of all claims in Camden County. This percentage seems quite high, given that losses due to unauthorized usage have never been reimbursable in Camden County. The low percentage of unauthorized usage claims in Doña Ana County (19 percent) also seems surprising.

In the planning stages of the demonstration there was some belief that the number of claims of loss would rise in the months following implementation (as information about the new protections spread throughout the client community) and then reach some higher steady-state level. This, however, did not occur in the year-long demonstrations. The number of submitted claims, when examined on a month-by-month basis, was quite consistent. There is no evidence of a "learning curve" and a resulting increase in the number of claims submitted.<sup>2</sup> This by itself might be viewed as preliminary evidence that the introduction of Reg E had little impact on claim rates in the demonstration sites. That is, if an effect exists, it must have occurred immediately and completely for there to be no gradual increase in claim submissions. Such an immediate and complete effect would be unusual, especially in the three New Mexico sites,

<sup>2</sup> Appendix E shows, for each site and program, the number of claims submitted during each month of the demonstration, as well as subtotals for each six-month period.

where Reg E was introduced after EBT and information about the new protections may have taken time to disseminate throughout the caseloads.

To control for variations in caseload size and better facilitate cross-site comparisons, Exhibits 3-5 and 3-6 present the frequency of cash assistance and food stamp claims filed, respectively, measured as an average claim rate per 1,000 cases per month. In addition to the total rate of claim submission in each site (the total height of each bar), the exhibits also show the breakdown by reported or verified reason for loss of benefits (the shaded sections of each bar).<sup>3</sup>

There is conflicting evidence here as to whether or not Reg E increased rates of claim submission. If Reg E did increase claim rates, the expected rates in the four full Reg E sites would be greater than those in San Juan County (which offered partial Reg E protections), which in turn would be greater than those in the comparison site of Camden County. Although the average rate of claim submission in the four full Reg E sites<sup>4</sup> is greater than the rate in Camden County (1.89 claims per 1,000 case months versus 0.84), and the difference in rates is statistically significant, the difference between the Camden County and Hudson County rates (0.84 versus 0.77) is in the wrong direction, and also statistically significant. Furthermore, San Juan County's rate of 3.13 is higher than any site except the rate in Citibank's DPC system (3.38).

Similarly, no consistent Reg E effect is apparent in claims of lost food stamp benefits (Exhibit 3-6). The full Reg E sites of Hudson County, Bernalillo County, and Doña Ana County have rates of 0.24, 1.12, and 0.22, respectively. The comparison site and the responsibility site claim rates fall right in the middle of these, with 0.32 in Camden County and 0.60 in San Juan County. As with cash assistance claims, however, the difference between the Camden County rate and the average rate of food stamp claims across the full Reg E sites (0.58) is statistically significant, and in the hypothesized direction.

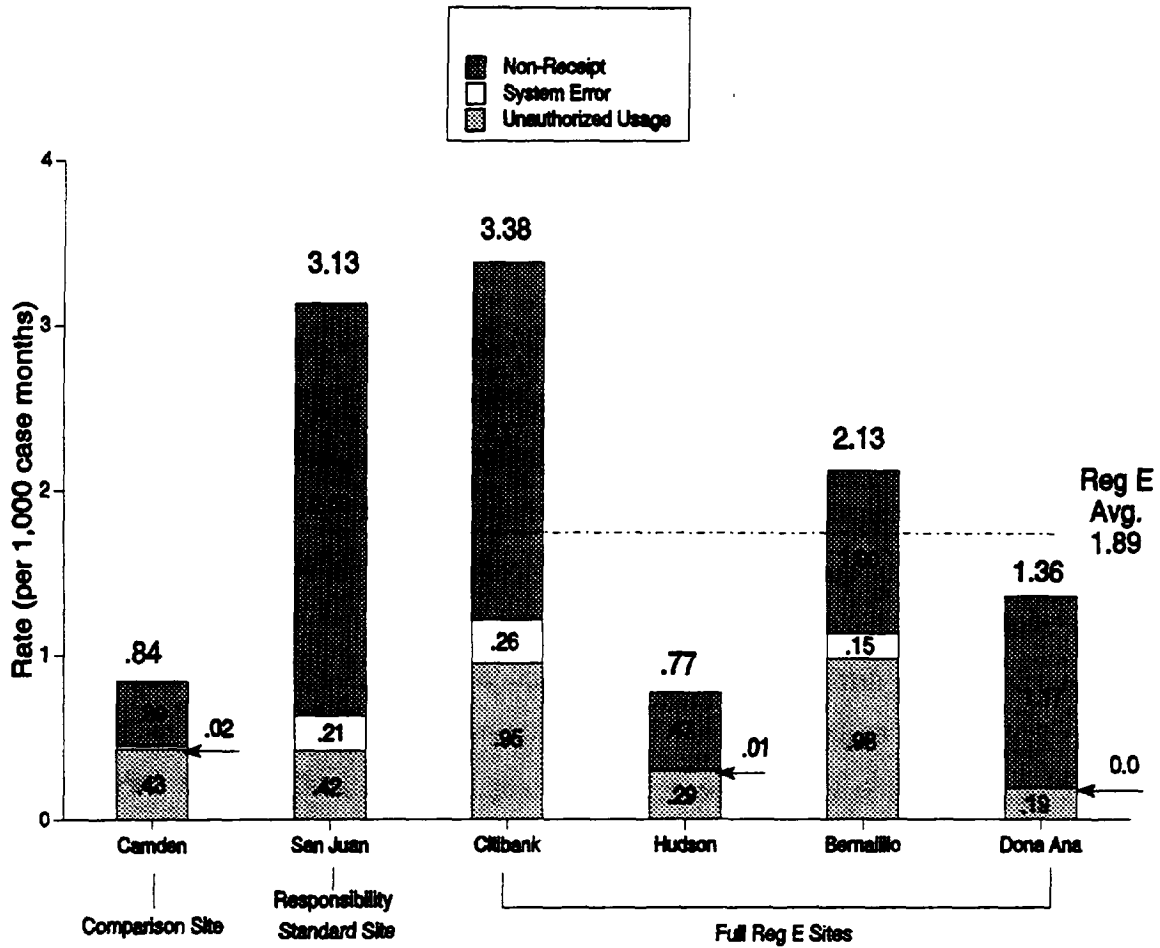
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<sup>3</sup> There were ten claims submitted that fell outside the three categories used in the exhibits. One was a claim of a forced transaction in Camden County; the others were claims of robbery of benefits in Hudson County, each occurring after the client's transaction had been completed. All ten claims were denied. There were no claims involving charges of theft by state, county, vendor, or store employees.

<sup>4</sup> This is a weighted average based on each site's average monthly caseload.



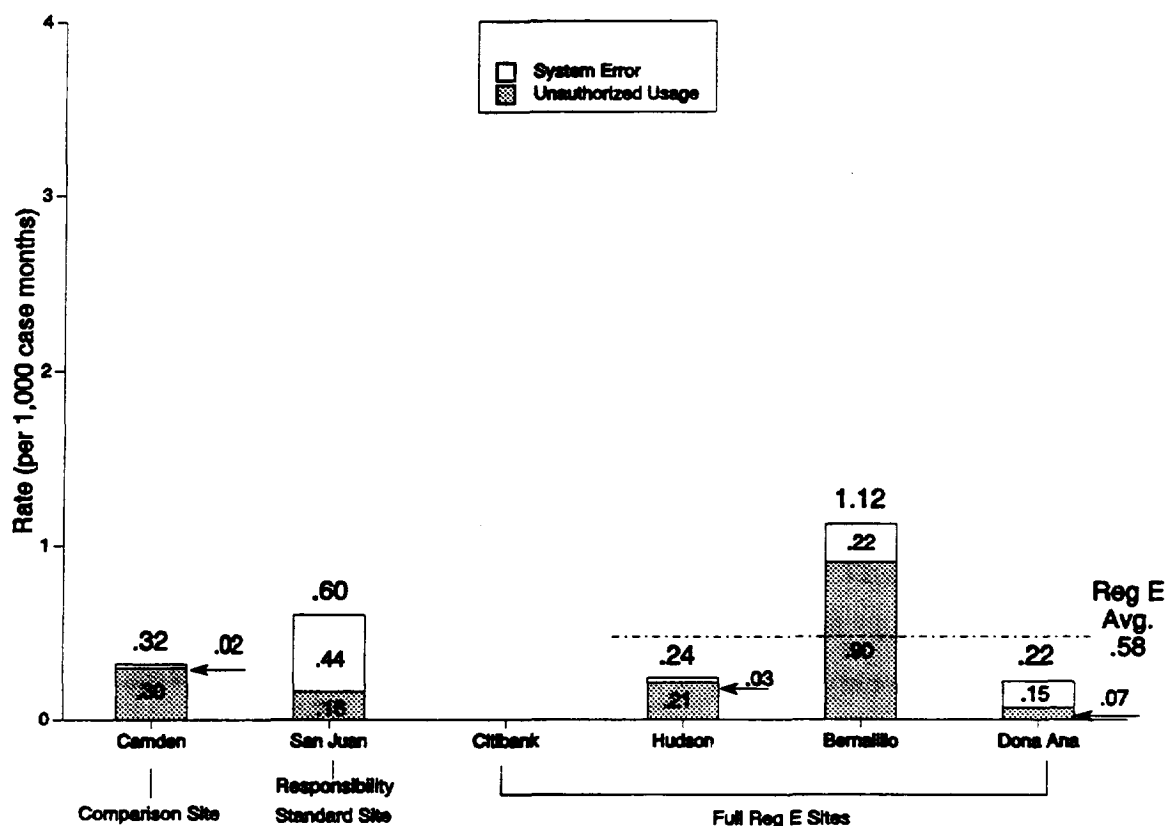
**Exhibit 3-5**  
**CLAIMS OF LOST CASH ASSISTANCE BENEFITS**



With this much site-to-site variability in an outcome measure, the "Reg E average" becomes difficult to interpret. In the above examples, the Reg E average claim rates are higher than claim rates in Camden County, yet individual Reg E site claim rates are occasionally lower than the rate in Camden County. It seems that site-specific factors may be having a greater impact on claim rates than the presence of Reg E. In the rest of this report, therefore, we will not speak often of an "average" Reg E effect. Report exhibits will, however, continue to display the weighted average value of the measure under consideration across the four full Reg E sites.

If Reg E were to have a large impact on the frequency of claims, it specifically should have increased claims for unauthorized transactions, as this is the category that was uniquely

**Exhibit 3-6**  
**CLAIMS OF LOST FOOD STAMP BENEFITS**



covered by the sites operating under the full Reg E provisions. The following sections examine the impact of Reg E on each type of claimed loss.

**Unauthorized Card Usage**

Exhibit 3-3 revealed that nearly one-half of all claims submitted was for losses associated with unauthorized card usage. For claims involving cash assistance benefits, however, this proportion is just 34 percent due to a large number of claims of non-receipt of funds (i.e., ATM misdispenses).

It is unclear whether Reg E increased the rate of cash assistance claims of unauthorized usage. The rates of unauthorized card usage in the sites implementing full Reg E coverage were 0.95 for Citibank's DPC system, 0.29 for Hudson County, 0.98 for Bernalillo County, and 0.19

for Doña Ana County. The rates for unauthorized usage in Camden County and San Juan County (0.43 and 0.42, respectively) fall in the middle of the range for the four full Reg E sites. The hypothesis that Reg E would increase claims of unauthorized usage is not supported.

A larger proportion of all food stamp claims, 78 percent, was for unauthorized card usage. Again, however, the data are inconclusive about a Reg E effect. The rate in Bernalillo County (0.90) was three times higher than in Camden County (0.30), but both Hudson County and Doña Ana County had lower rates (0.21 and 0.07, respectively) than Camden County. More consistent with expectations, San Juan County had a relatively low rate of 0.16 claims per 1,000 case months.

### **Non-receipt of Funds**

Non-receipt of funds is the category into which the largest portion (60 percent) of all claims of cash loss fell. Across the four full Reg E sites, the rate of non-receipt claims per 1,000 case months was 2.17 for Citibank's DPC system, 0.47 for Hudson County, 1.00 for Bernalillo County, and 1.17 for Doña Ana County. As for the comparison and responsibility standard sites, Camden County had very few claims of non-receipt of funds (0.39 per 1,000 case months), whereas San Juan County had the highest rate of all at 2.50. The relatively high rates of loss due to non-receipt of funds in the New Mexico and Citibank DPC system sites are partially a result of problems with the ATM networks on May 1, 1995 in New Mexico, and June 1 and September 1, 1995 in Texas. Had these three incidents not occurred, the frequency of claims submitted would be more similar to, but still larger than, the frequencies in New Jersey.<sup>5</sup>

Information on ATM misdispense rates is available from Ramsey County, Minnesota, which has been operating an EBT system—without Reg E protections—since 1987. Thus, Ramsey County can serve as an additional comparison site for examining the impact of Reg E on rates of reported ATM misdispenses. Over the three-year period 1992-1994, the rate of reported ATM misdispenses in Ramsey County was 0.60—higher than both of the New Jersey

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<sup>5</sup> The new rates, calculated without the claims of non-receipt due to ATM network failure on May 1, 1995 in New Mexico, and June 1 and September 1, 1995 in Citibank's DPC system, are: 2.10 in San Juan County, 0.82 in Bernalillo County, 0.99 in Doña Ana County, and 1.94 in Citibank's DPC system.

sites, but lower than the three New Mexico counties and the Citibank DPC system.<sup>6</sup> If there is a Reg E effect on reporting behavior, it certainly seems to be obscured by state-to-state (actually, ATM network-to-ATM network) differences in actual misdispense rates.

### **System or Procedural Error**

One might initially argue that a Reg E effect exists for claims of loss due to system or procedural error. The claim rate in Camden County was very low (0.02 for both cash assistance and food stamp losses) compared to rates in Citibank's DPC system (0.26) and in Bernalillo and San Juan counties (from 0.15 to 0.44, depending on program and county).<sup>7</sup> With claims of loss due to system or procedural error representing less than 11 percent of all claims filed, however, it is difficult to ascribe much impact to this finding, particularly given the lack of any consistent Reg E effect within the other, more numerous claim types.

### **Additional Evidence from New Mexico**

The claim rates discussed so far do not indicate a consistent Reg E effect. With only one comparison site operating under regular EBT protections, however, it is difficult to distinguish between a possible Reg E effect and effects due to differences in site characteristics. A secondary data source in New Mexico, however, provides additional data on rates of reported lost benefits in a non-Reg E environment. Since the introduction of EBT in New Mexico, Help Desk staff there have maintained records of claims of lost benefits. Although these EBT problem reports have some serious deficiencies in terms of analyzing the impacts of Reg E (described in Appendix G), they do allow two important comparisons. The first is a pre-post comparison of claims of lost benefits in each of the three Reg E counties in New Mexico, with pre-demonstration problem report data being compared to Reg E claim rates during the demonstration. The second is a cross-sectional analysis, with Reg E claim rates in the demonstration counties compared to problem report rates in the rest of the state.

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<sup>6</sup> Appendix F provides a detailed discussion of ATM misdispense rates in Ramsey County.

<sup>7</sup> The relatively high food stamp claim rate in San Juan County (0.44) was due to an unusually high number of accidental double debits and other POS problems there.

For claims of unauthorized card usage, both the pre-post and cross-sectional analyses show huge increases in reported loss under Reg E, on the order of 6,000 to 8,000 percent. Reg E increases for claims associated with ATM misdispense and system or procedural error are much smaller. Whether a reporting effect exists or the increases are due to undercounts of EBT problems (in the non-Reg E sites and periods) is not known.

### 3.4 UNREPORTED INCIDENTS OF LOST BENEFITS

If Reg E encourages clients to report incidents of lost or stolen benefits, then the level of *unreported* incidents of lost benefits should decline. To test this hypothesis, the evaluation contacted over 19,000 EBT participants across the six sites. Survey respondents were asked whether they had ever experienced a loss of benefits and, if so, whether they had reported the loss to program staff. If *any* losses had not been reported, survey respondents were asked about the dollar amount of the loss, when it occurred, and why they had not reported the loss.<sup>8</sup>

In asking whether a loss had ever been incurred, each survey respondent was asked the following four questions:<sup>9</sup>

- (1) Has the welfare agency ever made a mistake by adding too few food stamp or AFDC benefits to your EBT account?
- (2) Has the welfare agency ever missed an EBT food stamp or AFDC payment *entirely* and *never made it up later*?
- (3) Has anyone ever taken benefits out of your food stamp or AFDC EBT account without your permission?
- (4) For any other reason, have benefits ever been missing or taken from your food stamp or AFDC EBT account?

Additionally, respondents receiving AFDC benefits were asked:

- (5) Has an ATM machine ever given you less cash than was taken from your EBT account?

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<sup>8</sup> Details about the survey, issues of survey non-response, and a copy of the main survey instrument are presented in Appendix I.

<sup>9</sup> Participants in Texas, who did not receive food stamp or AFDC benefits through Citibank's DPC system, were asked a slightly different series of questions.

- (6) Has a store employee ever given you less cash than was taken from your EBT account?

Of course, in interpreting the survey results, one must keep in mind that these are *perceived* losses; we have no independent information on whether or not these perceived losses actually occurred.

The surveys of unreported loss were conducted mostly between October and December 1996, or from six to eight months after the start of the demonstrations. The survey of DPC system participants in Texas, which involved a mail-out questionnaire to a random sample of 5,000 participants with telephone follow-up, experienced a low response rate (40 percent) due to incomplete or out-of-date telephone and address information.<sup>10</sup> The surveys in New Jersey and New Mexico were conducted as recipients came to the local welfare offices for recertification. Response rates were therefore higher in New Jersey and New Mexico than in Texas.

The degree of response bias in the survey samples is not known. As explained in Appendix I, the absence of demographic information on many respondents makes it difficult to ascertain the representativeness of the samples. To the extent to which demographic information is available, the New Jersey and New Mexico samples appear to be younger and more likely to be receiving AFDC than the full caseloads in each site. This probably reflects the fact that elderly food stamp recipients tend to have less frequent recertifications and were therefore less likely to enter the survey sample.

### **Frequency of Unreported Loss**

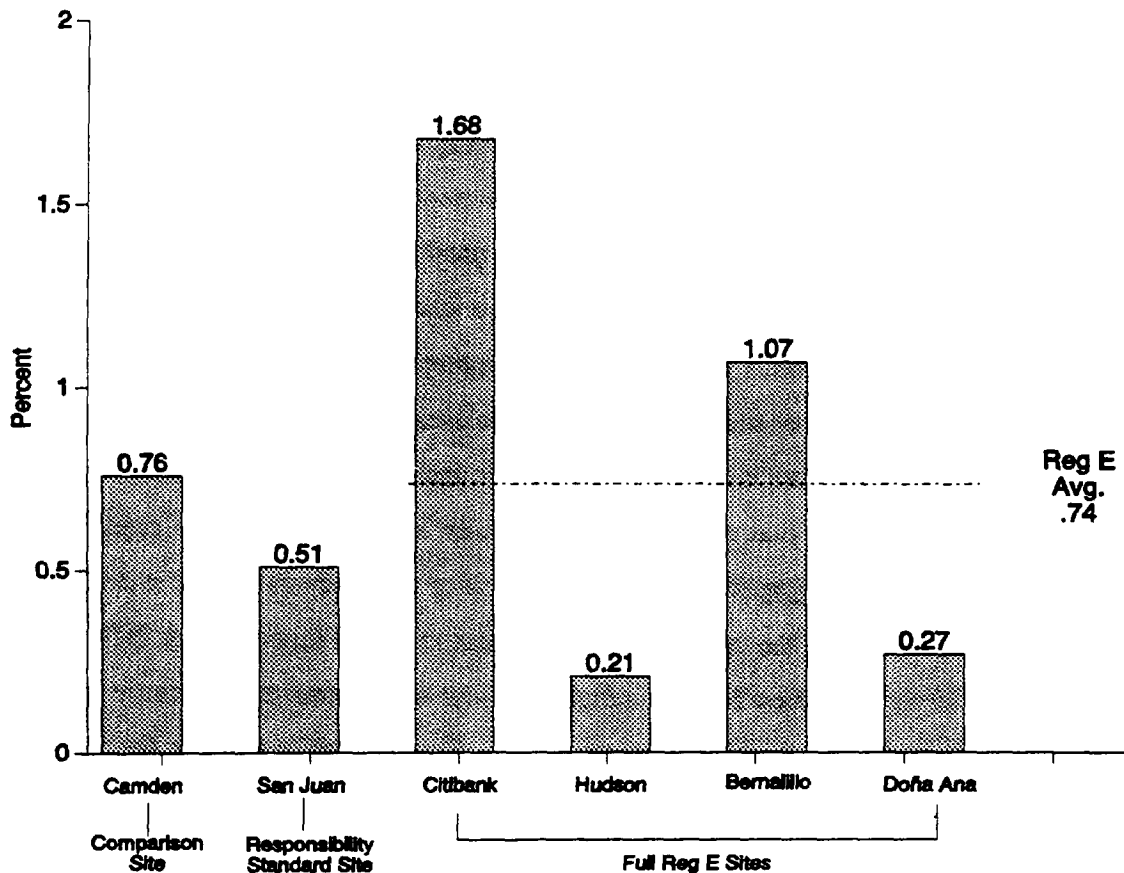
Even taking into account the possible problems with sample representativeness, it is clear that the frequency of unreported benefit loss is consistently low across the six sites. Relatively few households appear to experience, but not report, a loss of benefits. Given the large number of completed surveys in each site, this general finding is likely to be robust.

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<sup>10</sup> DPC participants provide telephone and address information to Citibank when they enroll in the system, but this information is not updated when they move.

Exhibit 3-7

PERCENTAGE OF CASES EXPERIENCING AN UNREPORTED LOSS IN A TWO-MONTH PERIOD



Looking at the details in Exhibit 3-7, only 0.21 to 1.68 percent of respondents said they had experienced, but not reported, a loss in the two months preceding the survey.<sup>11</sup> There is no apparent Reg E effect. Although the percentage of respondents with unreported loss in Camden County (0.76 percent) is statistically significantly higher than in either Hudson County (0.21 percent) or Doña Ana County (0.27 percent), which supports the hypothesis that Reg E

<sup>11</sup> The rate of unreported loss was calculated for a two-month period as a compromise between two sets of considerations. Because this event is so rare, more stable estimates can be obtained for longer time periods. On the other hand, using a longer time period runs the risk of encountering substantial recall error. Furthermore, although the two-month rate can plausibly be thought of as equalling twice the one-month rate, for longer periods this equation is less defensible, because some recipients might experience several unreported losses. The data do not support estimating the *number* of unreported losses in a fixed time frame.

encouraged greater reporting, the Camden County percentage is statistically significantly lower than the percentage in Citibank's DPC system (1.68 percent). Furthermore, the Camden County percentage is statistically no different than the percentage in Bernalillo County (1.07 percent) or the average percentage of respondents across the four full Reg E sites with unreported loss (0.74 percent).<sup>12</sup>

A two-month rate was calculated separately for St. Martin's, an office in Bernalillo County that serves homeless recipients. The estimated rate of 1.0 percent was nearly identical to the rate for the rest of Bernalillo County.

### **Relative Frequency of Reported and Unreported Loss**

The above results do not support the hypothesis that, by increasing the number of situations in which clients could be reimbursed (and informing them of the new policy), Reg E would reduce the incidence of unreported loss. It is possible, however, that cross-site differences in loss rates may have masked a Reg E effect. For instance, if the underlying rate of benefit loss (whether reported or not) in Citibank's DPC system was much higher than the underlying rate in Camden County, then the percentage of DPC households with unreported loss could be higher than in Camden County—even if Reg E did encourage more households to report losses. Rather than looking at the percentage of households with unreported loss, then, it might be better to look instead at the percentage of losses that are reported. If losses in the Reg E sites were more likely to be reported than losses in Camden County, this would be evidence for a Reg E effect.

The structure of the survey instrument does not allow direct computation of the percentage of losses that are reported. To simplify data collection within welfare offices, the survey collected information on date of loss only for the most recent incident of unreported loss,

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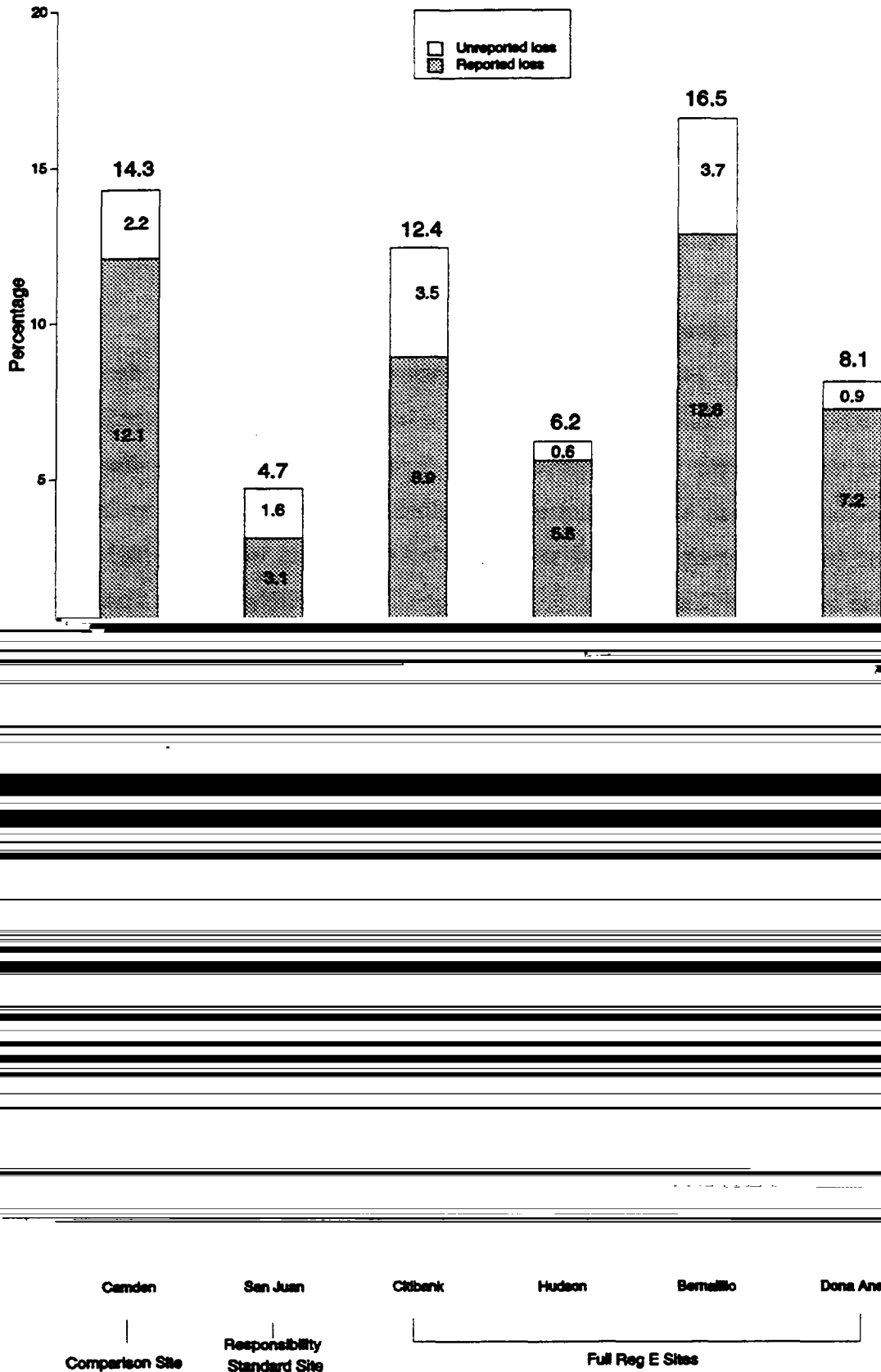
<sup>12</sup> Among respondents in New Jersey and New Mexico who indicated in the screener portion of the survey that they had experienced a loss, a substantial fraction broke off the interview before indicating whether they had experienced an *unreported* loss. This proportion ranged from 5 percent in San Juan County to over 30 percent in Camden and Bernalillo Counties (13 percent for the five counties combined). Unreported losses were imputed for these respondents at the rate experienced by other respondents in the same county who had similar screener responses.

This imputation procedure will be unbiased if the probability of interview breakoff is unrelated to whether or not the loss was unreported. Data collectors indicated that most breakoffs occurred when respondents said they did not have time to complete the interview.



Exhibit 3-8

PERCENTAGE OF HOUSEHOLDS WITH BENEFIT LOSS



so it is not possible to count the number of reported or unreported losses in any time interval.

Notwithstanding the above, the data indicate that the number of households with reported losses is significantly higher than the number of households with unreported losses.

## Exhibit 3-9

## PERCENTAGE OF HOUSEHOLDS WITH LOSS WHO ALWAYS REPORTED LOSS

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
			Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Site	Camden County (NJ)	San Juan County (NM)					
All losses	84.4%	66.2%	71.5%	90.2%	77.6%	89.1%	80.3%
Losses from unauthorized card usage	87.0%	68.2%	80.4%	91.6%	77.7%	90.9%	82.9%

estimating whether Reg E increased the likelihood of a loss being reported. Exhibit 3-9 also shows the relative percentage of respondents who reported losses involving unauthorized card usage. This should be an even stronger test of the hypothesis, inasmuch as such losses were not reimbursable in Camden County, and generally not reimbursable in San Juan County.

Despite some confounding influences,<sup>13</sup> the figures in Exhibit 3-9 do not support the hypothesis that Reg E encouraged additional reporting. Nearly 85 percent of survey respondents with losses in Camden County said they always reported their losses, a percentage exceeded only in Hudson County (90 percent) and Doña Ana County (89 percent). At 71 and 78 percent, respectively, respondents from Citibank's DPC system and Bernalillo County, both full Reg E sites, were less likely (rather than more likely, as hypothesized) than Camden County respondents to always report losses. Respondents in San Juan County were least likely (66 percent) to always report losses. The situation changes little when only losses due to unauthorized card usage are considered, reinforcing the apparent absence of a Reg E impact on reporting behavior.

Before turning to the next topic, it should be re-emphasized that the figures in Exhibit 3-9 indicate the percentage of respondents who always reported their losses, *not* the percentage

<sup>13</sup> The three New Mexico counties were operating under EBT before the introduction of Reg E protections, so the data mingle clients' reporting behavior pre- and post-Reg E. The Reg E protections in New Mexico had been in place for at least five months, however, before the survey was initiated.

of losses that were reported. The percentage of losses that were reported almost certainly was higher than the percentages in Exhibit 3-9, for two reasons. First, some of the respondents who always reported their losses may have experienced multiple losses. If so, the number of respondents undercounts the number of reported losses within this group. Second, some of the respondents who did not *always* report losses may have reported some losses. Again, if true, this fails to account for some reported losses. Although it is also possible that some respondents who did not always report losses may have failed to report losses multiple times (which, by itself, would lower the rate by which losses are reported), this event is likely to be quite infrequent, given the very small numbers of respondents who failed to report losses at all.

One other aspect of this analysis of unreported loss should be pointed out and clarified before concluding. Readers may have noted an apparently large anomaly between Exhibit 3-7's percentages of respondents with reported losses and the claim rates presented earlier in this chapter. For example, if—as shown in Exhibit 3-7—12.8 percent of respondents in Bernalillo County said they experienced and reported a loss of benefits in the two months prior to the survey, then the one-month rate is approximately 6.4 percent. If 6.4 percent of the respondents suffered and reported a loss in the previous month, however, then the rate of reported loss per 1,000 case months would be 64, much higher than the 2.13 (for cash assistance claims) and 1.12 (for food stamp claims) claim rates reported in Section 3.3. Most of the discrepancy is likely due to what is meant by "reporting." For the survey, a loss was considered reported if the respondent had spoken about it to the EBT system's Help Desk (which would have triggered a Reg E claim) or his or her caseworker. The latter situation, which happened fairly often according to a survey of caseworkers in each site (see Chapter Five), would not trigger a Reg E claim unless the respondent subsequently pursued the matter further by calling the Help Desk or, in New Mexico, by contacting the local office's EBT specialist.

### **Reasons for not Reporting Losses**

For respondents who indicated they had not always reported an incurred loss, the survey questioned why they did not ask about getting benefits replaced. Exhibit 3-10 displays the percentage breakout of reasons given. The results in this exhibit are not broken out by site because the relation between type of loss and reason for not reporting the loss was of primary interest.

**Exhibit 3-10**  
**REASONS FOR NOT REPORTING LOSSES<sup>a</sup>**

Reason	Type of Loss					Total
	Non-receipt of Funds	Unauthorized Card Usage	Too Little Cash from Store Employee	Government Mistake	Type of Loss Unknown	
Did not think benefits would be replaced	44%	40%	52%	16%	33%	34%
Was not worth the trouble	35	22	19	26	18	25
Did not want to get anybody in trouble	11	12	0	7	3	9
Never got around to it	24	16	13	19	24	19
Other	21	21	13	26	18	21
No reason given	3	11	16	24	27	15
<i>n</i>	66	125	31	110	33	365

<sup>a</sup> Respondents could give multiple reasons for not reporting a loss, so percentages sum to greater than 100 percent.

One third of the respondents (124 of 365) said they did not report a loss because they did not think benefits would be replaced. Fifteen of these 124 respondents were Camden County recipients referring to unauthorized card usage, so they were probably right. The remaining 109 respondents (none were from San Juan County) may well have been incorrect in their assessment about benefit replacement. This suggests that there was at least some confusion among recipients about when lost benefits were reimbursable. This finding is reinforced by results from a survey of Reg E claimants conducted in all sites except Camden county.<sup>14</sup> Twenty-seven percent of the respondents to the Claimant Survey said they did not remember getting

<sup>14</sup> This survey is described in Appendix H.

information about the conditions under which benefits would be replaced when they received their EBT card and were trained in how to use it.<sup>15</sup>

Returning to reasons for not reporting losses, 90 respondents (25 percent) who did not always report a loss said it was not worth the trouble. Nineteen percent said they just never got around to it, and 9 percent said they did not want to get anybody in trouble.

Of the 78 respondents (21 percent) giving "other" reasons for not reporting a loss, 16 said they tried (but were unsuccessful) or did not know how to report the loss. These 16 respondents represent only 4.4 percent of those who did not report a loss (which, in turn, represents less than 1 percent of all people experiencing a loss), so it appears that not knowing how to report a loss was not a major problem among demonstration participants.

Two interesting facts emerge when looking at the average dollar amount of unreported losses. First, average loss values were the lowest for respondents who said reporting "was not worth the trouble." For losses involving cash assistance benefits, the average value within this group was \$20, compared to an average unreported loss of \$84 across all other reasons. For unreported food stamp losses, the comparable averages were \$27 and \$80. Second, as suggested by the above values, the average value of unreported losses was similar across programs. The overall average value for unreported cash assistance losses was \$70, compared to \$69 for unreported food stamp losses.

### 3.5 CONCLUSIONS

Program administrators in New Mexico and New Jersey did not know how many claims would be submitted during the 12-month Reg E demonstrations, but they worried that a large influx of claims might overwhelm the administrative and investigative resources budgeted for Reg E. Their concerns never materialized. Although there was substantial site-to-site variation in claim rates on a percentage basis, claim rates were generally low across all six sites.

Relatively low claim rates were not the only surprise, however. The site-to-site variation that did occur appears to have had little correspondence with the level of protection against loss offered by each site. The same is true for levels of unreported loss across the six

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<sup>15</sup> The percentage was highest (40 percent) in the Citibank DPC system and lowest (15 percent) in New Mexico. Most New Mexico recipients also received additional information about when benefits would be replaced when the State mailed Reg E disclosure notices to their homes at the start of the demonstration.

sites. Indeed, instead of a Reg E effect, the evidence suggests a possible state-specific effect related to unknown (and unmeasured) factors. For instance, Citibank's DPC system in Texas had the highest claim rates for losses involving cash benefits, followed by the three New Mexico counties, with the two New Jersey counties having the lowest claim rates. The pattern is not as strong for food stamp claims (with Doña Ana County having the lowest claim rate), but it still seems to be present. Of course, if any state-specific factors affecting loss rates and reporting behavior could have been separately measured, it is possible that an independent (though probably small) Reg E impact might have been identified.

To appreciate better the ambiguous and inconclusive evidence with regard to the impacts of Reg E, Exhibit 3-11 lists the major hypotheses explored in this chapter and indicates where each hypothesis is supported by the data. There is no consistent pattern of support for a Reg E effect. For instance, in no single site are more than four of the seven hypotheses supported. In addition, the percentage of sites supporting an individual hypothesis never exceeds 67 percent. Further, two other expected events did not materialize. There is no evidence of a Reg E "learning curve;" that is, claim rates did not gradually increase over the 12-month demonstration periods. In addition, claim rates were not consistently higher in sites where EBT and Reg E were implemented simultaneously. Although the Citibank DPC system did have the highest claim rates, the other site with simultaneous implementation, Hudson County, generally had the lowest claim rates.

The lack of any consistent support for the hypothesized impacts of Reg E argues strongly that either:

- (1) Reg E did not affect reporting behavior; or
- (2) Any Reg E effects that were present were too small to be separately identified from other site-specific factors that affected loss rates and reporting behavior.

In the next chapter we examine whether Reg E had any impacts on benefit replacement levels within the demonstration sites, despite the absence of an impact on claim submission rates.

## Exhibit 3-11

**CONFORMANCE WITH REG E HYPOTHESIZED EFFECTS**  
 ("Yes" Entries Support Hypothesis)

Level of Protection	Responsibility Standard	Full Reg E			
Site	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
<i>Claim rates for unauthorized card usage higher than in comparison site (Exhibits 3-5 and 3-6)</i>					
Cash assistance	No	Yes	No	Yes	No
Food stamps	No	n/a	No	Yes	No
<i>Overall claim rates higher than in comparison site (Exhibits 3-5 and 3-6)</i>					
Cash assistance	Yes	Yes	No	Yes	Yes
Food stamps	Yes	n/a	No	Yes	No
<i>Levels of unreported loss less than in comparison site (Exhibit 3-7)</i>					
All assistance	Yes	No	Yes	No	Yes
<i>Likelihood of loss (unauthorized card usage) being reported higher than in comparison site (Exhibit 3-9)</i>					
All assistance	No	No	Yes	No	Yes
<i>Likelihood of loss (any type) being reported higher than in comparison site (Exhibit 3-9)</i>					
All assistance	No	No	Yes	No	Yes

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

## CHAPTER FOUR

### THE IMPACT OF REGULATION E ON BENEFIT REPLACEMENT

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Program administrators were clearly worried that Reg E would lead to a sharp increase in claim rates, especially for claims involving unauthorized card use. As shown in the previous chapter, high claim rates in the Reg E demonstration sites did not materialize. An even greater concern, however, was that Reg E would increase program costs by increasing levels of replaced benefits. Two factors could lead to greater benefit replacement. First, to the extent that claims of benefit loss were more likely to be approved with Reg E protections than without, or if the average dollar value of approved claims increased, then more program funds would be spent replacing lost benefits. Second, if claims with provisional credits were subsequently denied and the states (or Citibank) could not recover the full amount of the credit, then greater program funds would again be spent on benefit replacement.

Evidence from the demonstration sites shows that liability arising from benefit replacement was higher in the full Reg E sites than in Camden County or San Juan County, but that it was still quite low. There are five reasons (in addition to the documented low claim rates) why liability levels averaged only \$0.01 to \$0.10 per case month, depending on program and site. First, most types of claimed loss, even if approved, did not impose a liability on the state, the county, or the EBT vendor. Oftentimes the "cost" of any replaced benefits was offset by a corresponding credit (e.g., in a verified ATM misdispense, the ATM owner ultimately supplied the replaced funds). Second, for the type of loss that can impose large liabilities from replaced benefits (unauthorized card usage), the sites approved only a relatively small proportion (0 to 33 percent) of such claims. Third, because decisions on nearly all food stamp claims (and most cash assistance claims) could be made within the Reg E deadlines, provisional credits were seldom needed or granted. Fourth, of all claims for which provisional credits were granted, only about 20 percent were subsequently denied. Thus, there were few claims in which an unrecovered provisional credit could create a liability. Finally, when claims with provisional credits were denied, the credits were almost always fully recovered.



#### **4.1 DISPOSITION OF CLAIMS**

Three outcomes are possible after a claim is filed. The claim may be either approved (in which case benefits will be replaced) or denied by Reg E staff, or it may be withdrawn by the claimant before a final approve/deny decision is made. Exhibits 4-1 through 4-3 present a detailed account of the percentage of claims in each category of loss that were approved, denied, or withdrawn. These exhibits also present the average dollar value of all claims and approved claims, by site and by program.<sup>1</sup>

Approved claims of unauthorized card usage are generally the only claims that impose a liability due to replaced benefits. When claims of ATM misdispense are approved, the ATM owner ultimately provides the replaced funds. Most claims of system or procedural error also impose no liability. For example, when a client's account is debited twice for a single transaction at a retail store, the subsequent credit to the client's account is offset by a corresponding debit to the store's account. Procedural errors impose a liability only when state, county, or vendor staff fail to deactivate a card reported as lost or stolen. Any loss due to subsequent card usage must be reimbursed to the client (after verification), and this reimbursement would create a liability for the system. No instances of this type of procedural error occurred during the Reg E demonstrations.

#### **Unauthorized Usage**

It is most salient to examine the disposition of claims filed due to unauthorized card usage. This is because the main difference in benefit replacement policies between the four full Reg E sites and those covered by the responsibility standard or regular EBT protections was whether or not losses due to unauthorized usage were reimbursable.

As shown in the final column of Exhibit 4-1, only 15 percent of the cash assistance claims of unauthorized usage across the four full Reg E sites were approved. This represents only 48 of the 314 claims filed. Eighty-one percent of the claims of unauthorized usage were denied, and 4 percent were withdrawn. In the comparison site of Camden County, which does not provide reimbursements for claims of unauthorized EBT card usage, the results coincided

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<sup>1</sup> Exhibit E-12 in Appendix E presents the corresponding information, by site and program, for all claims combined.

## Exhibit 4-1

CLAIMS OF UNAUTHORIZED CARD USAGE:  
DISPOSITION AND DOLLAR VALUES<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash Assistance (# claims)</b>	64	8	141	63	100	10	314
% Approved	0	0	6	6	33	30	15
% Denied	89	87	92	86	63	70	81
% Withdrawn	11	13	2	8	4	0	4
<b>Food Stamps (# claims)</b>	78	6		67	259	8	334
% Approved	0	0		2	14	13	12
% Denied	96	50	n/a	90	82	88	84
% Withdrawn	4	50		9	4	0	5
<b>Cash Assistance</b>							
Average amount of all claims	\$191	\$209	\$383	\$243	\$268	\$337	\$308
Average amount of approved claims			\$295	\$341	\$270	\$486	\$348
<b>Food Stamps</b>							
Average amount of all claims	\$110	\$60	n/a	\$134	\$133	\$147	\$138
Average amount of approved claims				\$121	\$132	\$45	\$99

<sup>a</sup> Percentages in this table may not sum to 100 due to rounding.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

exactly with the official policy. None of the claims was approved, 89 percent were denied, and 11 percent were withdrawn. In the responsibility standard site of San Juan County, which also does not reimburse most losses due to unauthorized transactions, none of the claims was approved, 87 percent were denied, and 13 percent were withdrawn. Only in the full Reg E



## Non-receipt of Funds

All the sites approved a majority of claims of ATM misdispenes, which is the category into which the largest number of claims fell. The figures in Exhibit 4-2 show that, across the four full Reg E sites, 74 percent of the claims of non-receipt were approved, 25 percent were denied, and 1 percent were withdrawn. In Camden County, 88 percent of the claims were approved, and San Juan County approved claims at a rate of 65 percent. As a point of comparison, 66 percent of the claims of ATM misdispenes in Ramsey County, Minnesota were approved over the three-year period 1992-1994.<sup>4</sup>

Exhibit 4-2

### CLAIMS OF NON-RECEIPT OF FUNDS: DISPOSITION AND DOLLAR VALUES<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<i>Cash Assistance (# claims)</i>	58	48	323	101	102	60	586
% Approved	88	65	77	73	69	73	74
% Denied	12	35	22	27	30	27	25
% Withdrawn	0	0	2	0	1	0	1
<i>Cash Assistance</i>							
Average amount of all claims	\$194	\$108	\$194	\$179	\$122	\$123	\$155
Average amount of approved claims	\$197	\$149	\$209	\$207	\$132	\$140	\$172

<sup>a</sup> Percentages in this table may not sum to 100 due to rounding.

With approved claims representing a sizeable percentage of all claims of non-receipt of funds, one would expect the average dollar value of approved claims to be similar to the average value of all claims. As shown at the bottom of Exhibit 4-2, the average value of approved

<sup>4</sup> Approval rates in Ramsey County increased over the three-year period. The ATM misdispenes approval rates for 1992, 1993, and 1994 were 56, 65, and 72 percent, respectively.

claims actually exceeds the average value of all claims in each site. This is also true of approved claims in Ramsey County (\$126 for approved claims, compared to \$112 for all claims). One hypothesis for this difference is that simple miscounts of dollars received at an ATM would lead to small-value claims that, when investigated, would be denied.

### **System or Procedural Errors**

Claims in this category were also approved at a very high rate (Exhibit 4-3). Only 6 percent of all cash assistance claims, however, were due to losses arising from system or procedural errors. In contrast, 22 percent of all food stamp claims involved system or procedural errors.<sup>5</sup>

In the full Reg E sites, 79 percent of cash assistance claims involving system or procedural error were approved; the remaining 21 percent were denied. The approval rate in San Juan County (75 percent) was similar to that in the full Reg E sites. The approval rate in Camden County was substantially lower (33 percent), but this is based on only three such claims.

System or procedural errors for food stamps were approved at a lower rate (65 percent) than those for cash (79 percent) in the full Reg E sites. The comparison site of Camden County and the responsibility standard site of San Juan County approved nearly all (100 percent and 82 percent, respectively) of the food stamp claims of system or procedural errors that were filed.

## **4.2 REASONS FOR DENIAL**

As noted in the previous section, the sites approved most claims of loss involving non-receipt of funds (ATM misdisbursements) and system or procedural error. In contrast, they denied most claims of unauthorized card usage. This section examines reasons given by the sites for denying claims.

Recall from Chapter Two that demonstration planners discussed the issue of categorical denials. Reg E, as applied in the private sector, prohibits categorical denial of a claim; all

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<sup>5</sup> The difference in relative frequency between programs arises, in part, because food stamp benefits cannot be withdrawn from ATMs, so there are no ATM misdisbursement claims involving food stamps. In addition, double debits are one of the most likely forms of procedural error, and these are much more likely to affect food stamp benefits than cash assistance benefits.

## Exhibit 4-3

CLAIMS OF SYSTEM OR PROCEDURAL ERROR:  
DISPOSITION AND DOLLAR VALUES<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash Assistance (# claims)</b>	3	4	38	3	15	0	56
% Approved	33	75	90	0	67	0	79
% Denied	67	0	11	100	33	0	21
% Withdrawn	0	25	0	0	0	0	0
<b>Food Stamps (# claims)</b>	5	17		11	63	18	92
% Approved	100	82		9	71	78	65
% Denied	0	0	n/a	64	8	6	14
% Withdrawn	0	18		27	21	17	21
<b>Cash Assistance</b>							
Average amount of all claims	\$70	\$141	\$111	\$182	\$187		\$160
Average amount of approved claims	\$90	\$182	\$106		\$252		\$179
<b>Food Stamps</b>							
Average amount of all claims	\$132	\$73	n/a	\$58	\$80	\$49	\$63
Average amount of approved claims	\$132	\$69		\$161	\$79	\$57	\$99

<sup>a</sup> Percentages in this table may not sum to 100 due to rounding.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

relevant circumstances are supposed to be weighed in reaching a decision about the claim. With regard to applying Reg E to public sector programs, however, it was agreed—after consultation with Federal Reserve staff—that claims could be denied outright if claimants failed to cooperate with the investigation. This does not mean that the sites denied claims that they knew (from

other evidence) were valid. Rather, if a claimant did not cooperate with an investigation, the sites stopped their investigation at that point and denied the claim.

Exhibit 4-4 presents the categorical reasons associated with non-cooperation that the sites used to deny claims. (The absence of an "X" in a cell in the exhibit does not mean that a claimant did not need to respond to a particular request, only that the site would not deny the claim *solely* on this basis.) The differences between Hudson County and New Mexico arise mostly because of procedural differences between the sites. Hudson County investigators required that claimants come to the office to sign an affidavit of loss; in contrast, New Mexico's Reg E unit required that claimants respond to a letter requesting further information about the claimed loss. Citibank categorically denied a claim only if the client did not submit a written report of circumstances surrounding the claim, a requirement included in the regulation itself.

**Exhibit 4-4**

**TYPES OF NON-COOPERATION RESULTING IN CLAIM DENIAL**

	Hudson County (NJ)	New Mexico	Citibank DPC System
Client failure to submit a written report of circumstances surrounding the claim	X	X	X
Client failure to submit a police report <sup>a</sup>	X	X	
Client failure to respond to questions		X	
Client failure to respond to a letter sent by the Reg E unit		X	
Client failure to meet with the investigator	X	n/a	n/a
Client failure to sign an affidavit of loss	X	n/a	n/a

<sup>a</sup> Required only for claims of unauthorized card usage and forced transactions.

n/a Not applicable. Site never made this request.

In addition to the categorical reasons for denial associated with non-cooperation, there were two other situations in which claims were denied outright without further investigation. The first is when—at the time of the claimant's initial report—it was immediately apparent that the client's loss was not reimbursable (based on the reimbursement policy outlined in Exhibit 2-1 of Chapter Two). The second situation was when the claimant's reported loss was less than their liability, as defined by Reg E. Thus, for instance, if a client reported that their account

was missing \$40 due to an unauthorized transaction, the sites denied the claim immediately because, even if it was verified, the client's liability equalled the loss. The rationale was why spend resources investigating a claim, when no benefits would be replaced even if the loss was verified?

The remainder of this section discusses why the sites denied claims of loss, broken out by type of loss.

### **Unauthorized Card Usage**

Exhibit 4-5 shows the distribution of primary reason given by the sites for denying claims of unauthorized card usage.<sup>6</sup> The most striking feature of the exhibit is that most of these claims were denied because claimants failed to provide supporting documentation. This supporting documentation could have been a written statement, a police report, or an affidavit of loss; the tracking system data usually do not specify the details.

As shown in the exhibit, all denied claims of unauthorized card usage in Camden County were denied as non-reimbursable losses, matching regular EBT policy for state-administered assistance programs that states are not liable for losses due to unauthorized transactions. In San Juan County, 86 percent of cash assistance denials and 100 percent of food stamp denials involved missed deadlines for providing information.<sup>7</sup>

Across the four full Reg E sites, from 83 to 100 percent of the cash assistance claims of unauthorized card usage, and from 72 to 100 percent of the food stamp claims, were categorically denied when claimants failed to provide requested documentation. Only a relative handful of claims of unauthorized usage were denied for any of the other four reasons in the exhibit. Within this small group, the two most predominant reasons were that the "amount of loss was less than the claimant's liability" and that the claimant's "PIN had been compromised." The sites used this latter reason (as a contributing factor) to deny a claim if a client voluntarily

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<sup>6</sup> When multiple reasons were listed for denying a claim, we defined the "primary reason" according to the hierarchy shown in Exhibit 4-5.

<sup>7</sup> Although it might seem strange that the San Juan County denials were not for losses being non-reimbursable, it is important to remember that unauthorized transactions in San Juan County were non-reimbursable only if, upon investigation, Reg E staff determined that the disputed transaction was completed with a valid card and PIN entry. Thus, such claims still had to be investigated.



**Exhibit 4-5**  
**REASONS FOR DENIAL<sup>a,b</sup>**  
**(Claims of Unauthorized Card Usage)**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash Assistance Benefits</b>							
Total number of claims denied	57	7	130	54	63	7	254
Missed deadline for providing documentation	n/a	86%	85%	83%	95%	100%	88%
Non-reimbursable loss	100%	n/a	n/a	n/a	n/a	n/a	n/a
Less than liability	n/a			7%			2%
Evidence confirmed that no loss occurred	n/a		5%				2%
Inconsistent report	n/a		3%				2%
Compromised PIN	n/a	14%	7%	9%	5%		7%
<b>Food Stamp Benefits</b>							
Total number of claims denied	75	3	n/a	60	213	7	280
Missed deadline for providing documentation	n/a	100%		72%	91%	100%	87%
Non-reimbursable loss	100%	n/a		n/a	n/a	n/a	n/a
Less than liability	n/a			12%	4%		5%
Evidence confirmed that no loss occurred	n/a			3%	<1%		1%
Inconsistent report	n/a				<1%		<1%
Compromised PIN	n/a			13%	4%		6%

<sup>a</sup> Percentages in this table may not always sum to 100 due to rounding.

<sup>b</sup> An empty cell indicates that this reason was never given as a reason for denial in the specified site.

n/a Not applicable. Not a valid reason within the site for denying a claim of unauthorized card usage. Also, food stamp benefits are not issued through the Citibank DPC system.

told someone their PIN and this person subsequently took the card and made an unauthorized transaction. This is an acceptable contributing reason for denying a claim according to Reg E. The sites, however, also treated writing one's PIN on or near the card as a contributing reason for denying a claim, which runs counter to interpretations of the regulation's intent.

The last two reasons given for denying claims of unauthorized loss were "evidence confirmed that no loss occurred" and "inconsistent report." The first of the two reasons was used if investigators researched a claim and found (for example) either that no money was missing from the client's account or that the disputed transaction was part of the client's habitual withdrawal pattern (e.g., same ATM, same day of month, same or similar dollar amount). The second reason, inconsistent report, was invoked when a client gave varied explanations of how the loss occurred (times, dates, and surrounding circumstances) or the amount of the loss.

The high percentage of claims denied due to clients missing deadlines for providing documentation is troubling from a policy perspective if one believes that many of these claims do represent actual incidents of loss. All the sites did indicate that, if proper documentation was submitted after a claim was denied, they reopened the investigation. This happened only a few times, however, which raises the question of why so many clients failed to follow through on their claims.

Site officials have said that they believe many claims of unauthorized card usage were not legitimate, or that clients did not provide documentation (including police reports) because they were not willing to prosecute relatives or "friends" who may have taken money from their accounts without permission. A survey of a sample of claimants provides only limited support for this latter hypothesis. Of the 45 clients in the sample who filed claims of unauthorized usage and were asked to file a police report, 22 (or nearly 50 percent) said they did not file the report. When asked why not, only four (18 percent) said they did not want to involve the police or get anybody in trouble.<sup>8</sup>

Part of the explanation for why so many claims were denied due to missing documentation may be simple confusion, error, or misunderstanding on the part of clients or

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<sup>8</sup> Eleven of the other 18 gave other reasons for not filing the police report, including six (27 percent of the original 22 who did not file) who said they did not have time to file a police report (or that they meant to but could not due to sickness or being out of town), three (14 percent) who said they realized the loss was their own fault, and two (9 percent) who said they did not think the money would be replaced.

Help Desk staff. Although 45 survey respondents with unauthorized usage claims said they were asked to file a police report, another 38 said they were *not* asked to do so, even though the sites indicated that it was standard policy to ask for a police report when clients claimed loss due to unauthorized usage. In addition, of the 42 respondents in the sample who had filed a claim of unauthorized usage, but who had not provided a written statement or affidavit about the loss, only 24 percent said they were told that the claim would not be processed without the documentation. Given that it was standard policy in each site to ask for a written statement, it appears that the requirement was not fully explained in many cases, or that many clients simply failed to understand this portion of their EBT training session or disclosure notice. Regardless of the source of the misunderstanding, it appears that more could be done to inform claimants of their responsibilities when filing a claim.

#### **Non-receipt of Funds**

In the loss category of non-receipt of funds, most of the claims that were rejected were denied as a result of the discovery of evidence confirming that no loss had occurred.<sup>9</sup> This is not surprising, due to the relative ease with which this type of claim can be investigated and resolved. Almost all the documentation that is necessary to determine the validity of claims of non-receipt is available from ATM owners or the inquiring networks; it does not have to be provided by the client. Thus, the only reason, in most cases, to deny a claim of non-receipt of funds is if the ATM's documentation shows that no loss occurred.

Some claims of non-receipt of funds, however, were denied for other reasons. Twelve percent of the ATM misdispense claims in San Juan County and 11 percent of the claims in the full Reg E sites were denied due to missed deadlines for providing documentation; that is, claimants apparently failed to submit a written statement explaining the circumstances of the loss. In addition, 47 percent of the San Juan claims and 13 percent of the full Reg E site claims were denied because the claimed loss amount was less than the client's liability.

This latter finding points up an area of Reg E that was subject to differing interpretations during the demonstrations. The regulation clearly states that, for claims involving

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<sup>9</sup> See Appendix E for an exhibit showing—for claims of non-receipt of funds—the breakout of reasons for denial by site.

July 27 - 1957 - 1958 - 1959 - 1960 - 1961 - 1962 - 1963 - 1964 - 1965 - 1966 - 1967 - 1968 - 1969 - 1970 - 1971 - 1972 - 1973 - 1974 - 1975 - 1976 - 1977 - 1978 - 1979 - 1980 - 1981 - 1982 - 1983 - 1984 - 1985 - 1986 - 1987 - 1988 - 1989 - 1990 - 1991 - 1992 - 1993 - 1994 - 1995 - 1996 - 1997 - 1998 - 1999 - 2000 - 2001 - 2002 - 2003 - 2004 - 2005 - 2006 - 2007 - 2008 - 2009 - 2010 - 2011 - 2012 - 2013 - 2014 - 2015 - 2016 - 2017 - 2018 - 2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025 - 2026 - 2027 - 2028 - 2029 - 2030 - 2031 - 2032 - 2033 - 2034 - 2035 - 2036 - 2037 - 2038 - 2039 - 2040 - 2041 - 2042 - 2043 - 2044 - 2045 - 2046 - 2047 - 2048 - 2049 - 2050 - 2051 - 2052 - 2053 - 2054 - 2055 - 2056 - 2057 - 2058 - 2059 - 2060 - 2061 - 2062 - 2063 - 2064 - 2065 - 2066 - 2067 - 2068 - 2069 - 2070 - 2071 - 2072 - 2073 - 2074 - 2075 - 2076 - 2077 - 2078 - 2079 - 2080 - 2081 - 2082 - 2083 - 2084 - 2085 - 2086 - 2087 - 2088 - 2089 - 2090 - 2091 - 2092 - 2093 - 2094 - 2095 - 2096 - 2097 - 2098 - 2099 - 2100 - 2101 - 2102 - 2103 - 2104 - 2105 - 2106 - 2107 - 2108 - 2109 - 2110 - 2111 - 2112 - 2113 - 2114 - 2115 - 2116 - 2117 - 2118 - 2119 - 2120 - 2121 - 2122 - 2123 - 2124 - 2125 - 2126 - 2127 - 2128 - 2129 - 2130 - 2131 - 2132 - 2133 - 2134 - 2135 - 2136 - 2137 - 2138 - 2139 - 2140 - 2141 - 2142 - 2143 - 2144 - 2145 - 2146 - 2147 - 2148 - 2149 - 2150 - 2151 - 2152 - 2153 - 2154 - 2155 - 2156 - 2157 - 2158 - 2159 - 2160 - 2161 - 2162 - 2163 - 2164 - 2165 - 2166 - 2167 - 2168 - 2169 - 2170 - 2171 - 2172 - 2173 - 2174 - 2175 - 2176 - 2177 - 2178 - 2179 - 2180 - 2181 - 2182 - 2183 - 2184 - 2185 - 2186 - 2187 - 2188 - 2189 - 2190 - 2191 - 2192 - 2193 - 2194 - 2195 - 2196 - 2197 - 2198 - 2199 - 2200 - 2201 - 2202 - 2203 - 2204 - 2205 - 2206 - 2207 - 2208 - 2209 - 2210 - 2211 - 2212 - 2213 - 2214 - 2215 - 2216 - 2217 - 2218 - 2219 - 2220 - 2221 - 2222 - 2223 - 2224 - 2225 - 2226 - 2227 - 2228 - 2229 - 2230 - 2231 - 2232 - 2233 - 2234 - 2235 - 2236 - 2237 - 2238 - 2239 - 2240 - 2241 - 2242 - 2243 - 2244 - 2245 - 2246 - 2247 - 2248 - 2249 - 2250 - 2251 - 2252 - 2253 - 2254 - 2255 - 2256 - 2257 - 2258 - 2259 - 2260 - 2261 - 2262 - 2263 - 2264 - 2265 - 2266 - 2267 - 2268 - 2269 - 2270 - 2271 - 2272 - 2273 - 2274 - 2275 - 2276 - 2277 - 2278 - 2279 - 2280 - 2281 - 2282 - 2283 - 2284 - 2285 - 2286 - 2287 - 2288 - 2289 - 2290 - 2291 - 2292 - 2293 - 2294 - 2295 - 2296 - 2297 - 2298 - 2299 - 2300 - 2301 - 2302 - 2303 - 2304 - 2305 - 2306 - 2307 - 2308 - 2309 - 2310 - 2311 - 2312 - 2313 - 2314 - 2315 - 2316 - 2317 - 2318 - 2319 - 2320 - 2321 - 2322 - 2323 - 2324 - 2325 - 2326 - 2327 - 2328 - 2329 - 2330 - 2331 - 2332 - 2333 - 2334 - 2335 - 2336 - 2337 - 2338 - 2339 - 2340 - 2341 - 2342 - 2343 - 2344 - 2345 - 2346 - 2347 - 2348 - 2349 - 2350 - 2351 - 2352 - 2353 - 2354 - 2355 - 2356 - 2357 - 2358 - 2359 - 2360 - 2361 - 2362 - 2363 - 2364 - 2365 - 2366 - 2367 - 2368 - 2369 - 2370 - 2371 - 2372 - 2373 - 2374 - 2375 - 2376 - 2377 - 2378 - 2379 - 2380 - 2381 - 2382 - 2383 - 2384 - 2385 - 2386 - 2387 - 2388 - 2389 - 2390 - 2391 - 2392 - 2393 - 2394 - 2395 - 2396 - 2397 - 2398 - 2399 - 2400 - 2401 - 2402 - 2403 - 2404 - 2405 - 2406 - 2407 - 2408 - 2409 - 2410 - 2411 - 2412 - 2413 - 2414 - 2415 - 2416 - 2417 - 2418 - 2419 - 2420 - 2421 - 2422 - 2423 - 2424 - 2425 - 2426 - 2427 - 2428 - 2429 - 2430 - 2431 - 2432 - 2433 - 2434 - 2435 - 2436 - 2437 - 2438 - 2439 - 2440 - 2441 - 2442 - 2443 - 2444 - 2445 - 2446 - 2447 - 2448 - 2449 - 2450 - 2451 - 2452 - 2453 - 2454 - 2455 - 2456 - 2457 - 2458 - 2459 - 2460 - 2461 - 2462 - 2463 - 2464 - 2465 - 2466 - 2467 - 2468 - 2469 - 2470 - 2471 - 2472 - 2473 - 2474 - 2475 - 2476 - 2477 - 2478 - 2479 - 2480 - 2481 - 2482 - 2483 - 2484 - 2485 - 2486 - 2487 - 2488 - 2489 - 2490 - 2491 - 2492 - 2493 - 2494 - 2495 - 2496 - 2497 - 2498 - 2499 - 2500 - 2501 - 2502 - 2503 - 2504 - 2505 - 2506 - 2507 - 2508 - 2509 - 2510 - 2511 - 2512 - 2513 - 2514 - 2515 - 2516 - 2517 - 2518 - 2519 - 2520 - 2521 - 2522 - 2523 - 2524 - 2525 - 2526 - 2527 - 2528 - 2529 - 2530 - 2531 - 2532 - 2533 - 2534 - 2535 - 2536 - 2537 - 2538 - 2539 - 2540 - 2541 - 2542 - 2543 - 2544 - 2545 - 2546 - 2547 - 2548 - 2549 - 2550 - 2551 - 2552 - 2553 - 2554 - 2555 - 2556 - 2557 - 2558 - 2559 - 2560 - 2561 - 2562 - 2563 - 2564 - 2565 - 2566 - 2567 - 2568 - 2569 - 2570 - 2571 - 2572 - 2573 - 2574 - 2575 - 2576 - 2577 - 2578 - 2579 - 2580 - 2581 - 2582 - 2583 - 2584 - 2585 - 2586 - 2587 - 2588 - 2589 - 2590 - 2591 - 2592 - 2593 - 2594 - 2595 - 2596 - 2597 - 2598 - 2599 - 2600 - 2601 - 2602 - 2603 - 2604 - 2605 - 2606 - 2607 - 2608 - 2609 - 2610 - 2611 - 2612 - 2613 - 2614 - 2615 - 2616 - 2617 - 2618 - 2619 - 2620 - 2621 - 2622 - 2623 - 2624 - 2625 - 2626 - 2627 - 2628 - 2629 - 2630 - 2631 - 2632 - 2633 - 2634 - 2635 - 2636 - 2637 -

\$50 or \$500, depending on how quickly the loss was reported after discovery) can be subtracted from the provisional credit. For all other claims, the provisional credit is supposed to be for the full amount of the loss, although New Mexico and New Jersey officials believed they had discretion to deduct up to \$50 from all provisional credits.

Provisional credits are of interest to the evaluation for two reasons. First, to the degree to which they are granted, they represent claims for which investigations could not be completed within required timeframes. Second, for those claims with provisional credits that are subsequently denied, the card issuer has to recover those credited funds from the claimant to avoid a financial liability.

Relatively few provisional credits were granted during the demonstrations, indicating that most investigations either were completed within the required timeframes or that claims were denied for other reasons within these timeframes. Exhibit 4-6 shows, by site, program, and type of claim, the percentage of claims for which provisional credits were granted. No provisional credits were granted in Camden County, and that site is excluded from the exhibit. As seen in the exhibit, claims of ATM misdispense (i.e., non-receipt of funds) were most likely to receive provisional credits, especially in the Citibank DPC system and in Hudson County.<sup>10</sup> Cash assistance claims of unauthorized usage in Bernalillo and Doña Ana counties were also relatively likely to receive provisional credits, although the high percentage in Doña Ana County (50 percent) is based on only ten claims of unauthorized usage there. Claims of lost food stamp benefits were less likely to receive provisional credits than claims involving cash assistance benefits, even when claims of non-receipt of funds are excluded from consideration. A major reason for this difference is that all food stamp transactions take place at POS terminals, so the sites had 20 days to investigate such claims before providing a provisional credit, compared to just ten days for disputed cash assistance transactions at ATMs.

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<sup>10</sup> Citibank and Hudson County were the sites most likely to issue provisional credits for ATM misdispenses because they often had to refer investigation of these claims to the ATM network that handled the disputed transaction. In New Mexico, by contrast, most ATM transactions occurred at ATMs deployed by the state's EBT vendor. Claims involving the vendor's ATMs required less time to investigate, leading to fewer claims in New Mexico requiring provisional credits. New Mexico's Reg E staff also occasionally denied suspect ATM misdispense claims rather than issuing a provisional credit, reopening and approving the claim if the investigation subsequently confirmed the loss.

## Exhibit 4-6

## PERCENTAGE OF CLAIMS WITH PROVISIONAL CREDITS

Level of Protection	Responsi- bility Standard	Full Reg E				
Site	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash Assistance Benefits</b>						
Unauthorized usage	0.0%	0.7%	6.3%	27.7%	50.0%	12.1%
Non-receipt	18.8	50.5	58.4	8.8	21.3	41.6
System or procedural error	0	28.9	0	0	0	19.3
Total	15.0	34.8	36.6	16.9	25.4	30.4
<b>Food Stamp Benefits</b>						
Unauthorized usage	0.0%	n/a	1.5%	6.2%	12.5%	5.4%
System or procedural error	0		0	0	0	0
Total	0		1.2	4.9	3.8	4.2

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

Exhibit 4-7 shows, by type of loss and site, the total number of provisional credits granted for claims of lost cash assistance benefits, the number of claims with provisional credits that were subsequently denied, and the total dollar value of provisional credits granted to subsequently denied claims. Exhibit 4-8 shows analogous information for claims involving food stamp benefits. For each program, only about one fifth of all claims with provisional credits were subsequently denied. Claims of unauthorized usage with provisional credits were most likely to be subsequently denied, and because Bernalillo County had by far the largest number of these claims, Bernalillo County was the site with the greatest likelihood of denying a claim after a provisional credit had been granted.

After a claim with a provisional credit is denied, Reg E allows the card issuer to seek recovery of the credited benefits. The sites varied in the procedures they followed to recover (recoup) a provisional credit. EBT systems serving food stamp and AFDC clients have rules specifying how quickly provisional credits can be recouped. No more than \$10 or 10 percent (whichever is greater) of the client's monthly food stamp or AFDC allotment can be recouped

## Exhibit 4-7

## PROVISIONAL CREDITS, CASH ASSISTANCE CLAIMS

Level of Protection	Responsibility Standard	Full Reg E				
Site	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Unauthorized Usage</b>						
Number of provisional credits	0	1	4	28	5	38
Percent denied	—	0%	0%	32%	40%	29%
Dollars at risk	—	\$0	\$0	\$2,936	\$860	\$3,796
<b>Non-receipt of Funds</b>						
Number of provisional credits	9	163	59	9	13	244
Percent denied	44%	19%	20%	33%	8%	19%
Dollars at risk	\$220	\$4,043	\$1,460	\$750	\$60	\$6,313
<b>System or Procedural Error</b>						
Number of provisional credits	0	11	0	0	0	11
Percent denied	—	0%	—	—	—	0%
Dollars at risk	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>						
Number of provisional credits	9	175	63	37	18	293
Percent denied	44%	18%	19%	32%	17%	20%
Dollars at risk	\$220	\$4,043	\$1,460	\$3,686	\$920	\$10,109

A "—" indicates that percent denied is undefined; no provisional credits were granted, so none could be for claims subsequently denied.

each month. If the client leaves the program before a provisional credit has been entirely recouped, there are three possible outcomes. The first outcome is that the remaining funds are never recouped and the agency is left with an uncovered liability. The second possible outcome is that the client re-enters the program at some point, and the recoupment process then continues. Finally, the agency may initiate more traditional credit recovery procedures, such

## Exhibit 4-8

## PROVISIONAL CREDITS, FOOD STAMP CLAIMS

Level of Protection	Responsibility Standard	Full Reg E				
Site	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Unauthorized Usage</b>						
Number of provisional credits	0	n/a	1	16	1	18
Percent denied	—	n/a	0%	25%	0%	22%
Dollars at risk	—	n/a	\$0	\$577	\$0	\$577
<b>System or Procedural Error</b>						
Number of provisional credits	0	n/a	0	0	0	0
Percent denied	—	n/a	—	—	—	—
Dollars at risk	—	n/a	\$0	\$0	\$0	\$0
<b>Total</b>						
Number of provisional credits	0	n/a	1	16	1	18
Percent denied	—	n/a	0%	25%	0%	22%
Dollars at risk	—	n/a	\$0	\$577	\$0	\$577

A "—" indicates that percent denied is undefined; no provisional credits were granted, so none could be for claims subsequently denied.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

as turning the claim over to a commercial collection agency. In the DPC system, Citibank has been allowed to immediately debit the client's account for full reimbursement of a provisional credit. If sufficient funds are not available for an immediate debit, Citibank may debit the client's account after the client's next issuance is posted to his or her DPC account.

Recoupment of food stamp or AFDC benefits can be time-consuming, due to the monthly limit on amounts that can be recovered from client allotments. The time period can be especially long if the client's monthly allotment is subject to other recoupment procedures. Nevertheless, enough time has passed since the end of the Reg E demonstrations that reasonably



accurate estimates of the likely final success in recouping provisional credits can be made. Within the AFDC program, Hudson County recouped 81 percent of the provisional credits at risk (all the credits were for claims of ATM misdisbursement). In contrast, the AFDC recoupment rate across the three New Mexico sites was 53 percent. Although New Mexico was able to recoup 95 percent of credits associated with claims of ATM misdisbursement, it recouped only 36 percent of cash assistance credits associated with unauthorized card usage. For the Food Stamp Program, New Mexico recouped 55 percent of provisional credits for claims subsequently denied; all these credits involved claims of unauthorized card usage. Hudson County issued no provisional credits for claims involving food stamp benefits, so there is no food stamp recoupment experience to report.

Citibank's recovery rate for provisional credits was 100 percent during the demonstration period. Of the 31 participants whose claims were denied after a provisional credit had been granted, none left the DPC system before their account was debited.

#### **4.4 LIABILITY FROM BENEFIT REPLACEMENTS**

Two claim disposition outcomes can potentially create a financial liability for a state or EBT vendor. These outcomes are:

- The claim is approved and benefits are replaced; or
- A provisional credit is granted to the client, and the claim is subsequently denied.

For approved claims, the state or EBT vendor will generally bear a financial liability only if the claim was for a loss due to unauthorized usage or a forced transaction. That is, in most cases of non-receipt of funds or system or procedural errors, the "replaced" benefits are merely a database correction. For instance, in an ATM misdisbursement, the claimant's account is adjusted to match the amount of funds actually disbursed—no financial loss is ultimately borne by any party. In the case of a double-debit at a POS terminal, the solution is generally to have the store process a correcting refund transaction to the claimant's account, leaving both parties free of financial loss. Situations of system or procedural error in which a financial liability is incurred can exist (e.g., the state or vendor fails to disable use of an EBT card after it is reported as lost or stolen, and the card is subsequently used), but such situations are generally rare and were not present at all in the data examined for this study.

Cases in which a provisional credit is provided and the claim is later denied represent only a potential liability, but a potential liability *regardless* of type of claim. All of the provisional credits for claims that are then denied are legally recoverable. In practice, however, and as just discussed, only 53 to 81 percent of the funds were recovered. Thus, roughly 19 and 45 percent of the AFDC and food stamp provisional credits at risk, respectively, ended up as a liability.

In the analysis that follows, total liability is calculated as the sum of these two liability sources. Whether the liability was borne by the state (or county) or the EBT vendor depended on the contractual arrangements with the vendor.

Exhibit 4-9 shows the actual liability resulting from cash assistance claims in each of the sites, broken down by type of claim. The last three rows of the exhibit show the liability for all types of claims combined. Across the full Reg E sites, the liability for approved claims averaged only \$0.027 per case month, but it reached \$0.088 per case month in Bernalillo County, which approved a higher percentage of claims involving unauthorized card usage. This translates into a total liability across the full Reg E sites of \$14,086 for benefit replacement over the 12-month demonstration period. For the comparison site of Camden County and the responsibility standard site of San Juan County, there were no claims that were approved and required benefit replacements, and therefore no liability was incurred from this source.

For situations in which a provisional credit was given to a client and the claim was later denied, there is a cash assistance program liability, averaged across the four full Reg E sites, of \$0.004 per case month (a total liability of \$2,305 over the study period). Camden County had no provisional credits that were later denied. In San Juan County, the liability was \$0.001 per case month, or just \$14 over the 12-month demonstration period.

The last row in Exhibit 4-9 shows the resulting liability at each site when all sources of liability are considered. The average liability across the four full Reg E sites was \$0.032 per case month, compared to \$0.001 per case month in San Juan County and no liability in Camden County. This pattern of liability is consistent with the steadily increasing protections offered as one moves from the regular EBT protections in Camden County to the limited Reg E protections in San Juan County to the full Reg E protections in the remaining four sites.

Turning to Exhibit 4-10, there is only a very small liability resulting from food stamp claims. During the 12-month demonstration periods, two sites (Camden County and San Juan

## Exhibit 4-9

**LIABILITY FROM BENEFIT REPLACEMENTS, CASH ASSISTANCE CLAIMS**  
 (dollars per case month)<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<i>Unauthorized Usage</i>							
Approved	0	0	.016	.006	.088	.028	.027
Provisional credit then denied	0	0	0	0	.015	.009	.004
<i>Non-receipt of Funds</i>							
Provisional credit then denied	0	.001	0	.001	.000	.000	.001
<i>System or Procedural Error</i>							
Provisional credit then denied	0	0	0	0	0	0	0
<i>All Claims</i>							
Approved	0	0	.016	.006	.088	.028	.027
Provisional credit then denied	0	.001	0	.001	.016	.009	.004
Total potential liability	0	.001	.016	.008	.103	.037	.032

<sup>a</sup> A value of "0" indicates zero cost. A value of ".000" indicates a positive cost equal to less than \$0.0005 (1/20th of a cent) per case month.

County) experienced no liability resulting from food stamp claims. Doña Ana County and Hudson County incurred a total liability each of less than \$0.0005 per case month for approved claims. Bernalillo County incurred the largest liability from approved claims, equal to \$0.017 per case month. Bernalillo County also was the only site to incur a liability from unrecovered food stamp credits; this liability equalled \$0.001 per case month. For the three full Reg E sites

Exhibit 4-10

**LIABILITY FOR BENEFIT REPLACEMENTS, FOOD STAMP CLAIMS**  
(dollars per case month)<sup>a</sup>

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Unauthorized EBT							

Section 3.3 discussed the EBT problem reports maintained by New Mexico's Help Desk both prior to and during the Reg E demonstration there. These problem reports document three instances in which New Mexico replaced benefits from unauthorized ATM withdrawals, even though EBT regulations did not require benefit replacement. In all three instances the client's card and PIN were used. ATM photographs of the individuals making the withdrawals verified the clients' claims of loss. The total dollar value of these three withdrawals was \$980, which equaled \$0.003 per case month in replaced benefits over the time period examined.

Maryland and Minnesota also have replaced benefits lost by their respective EBT caseloads. As in New Mexico, the incidents of benefit replacement occurred very infrequently and led to an average liability far less than a penny per case month. Maryland's documentation indicates only one incident of benefits lost and replaced by the state. In July 1994, \$110 in food stamp benefits was stolen by a store clerk who, after seeing the client enter her PIN, later initiated a false EBT transaction. In Hennepin County (Minneapolis), two incidents occurred in the first year of EBT operations. In both cases, an EBT card was not canceled when reported lost by a client; benefits withdrawn after the cards were reported lost were replaced. A similar incident, involving \$333 in lost benefits, occurred in Ramsey County (St. Paul) late in 1991. In early 1993 Ramsey County also replaced \$469 in benefits stolen by a store clerk.

#### **4.5 CONCLUSIONS**

Although program administrators worried that the introduction of Reg E would increase program costs by increasing levels of replaced benefits, the demonstration sites' experiences indicate that Reg E liability from replaced benefits was low. For cash assistance programs, the average liability across the full Reg E demonstration sites was \$0.032 per case month. Applying this average to a nationwide monthly AFDC caseload of 4.2 million yields an estimated annual liability of \$1.6 million.<sup>11</sup>

Reg E liability for replaced food stamp benefits was considerably lower—an average of \$0.007 per case month across the full Reg E sites, or approximately \$816,000 in annual cost when applied to a nationwide food stamp caseload of about 9.7 million households.

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<sup>11</sup> The liability in the responsibility standard site of San Juan County, where no claims of unauthorized card usage were approved, was only \$0.001 per case month (or \$60,000 annually on a nationwide basis).

Nearly all of the above liability in both programs arises from approved claims of unauthorized card usage. The remaining liability is due to unrecovered provisional credits from claims (of any type) that were subsequently denied.

Three reasons explain why liability was quite low. First, the demonstration sites experienced generally low claim rates. Second, as a group, the sites denied over 80 percent of all cash assistance and food stamp claims of unauthorized card usage, leaving relatively few claims for which benefits had to be replaced. Third, the full Reg E sites had to provide provisional credits to only about 4 percent of the food stamp claims they handled and 30 percent of their cash assistance claims.<sup>12</sup> With a limited number of provisional credits granted, the sites' exposure to liability from unrecovered credits was held low.

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<sup>12</sup> The difference across programs is due to the need for banks to investigate ATM misdispenses in the cash assistance programs. These investigations often take more time than provided for by the 10-day deadline for issuing a provisional credit.

## CHAPTER FIVE

### THE IMPACT OF REGULATION E ON ADMINISTRATIVE COSTS

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Liability due to replaced benefits is only one element of the total financial impact of Reg E on EBT operations. The administrative cost of processing and investigating claims is also important. In this chapter we present the evaluation's findings with regard to the administrative costs of implementing and operating Reg E in the demonstration sites.

Whereas the Reg E liability due to replaced benefits was rather small in the demonstration sites—averaging \$0.03 per case month for claims involving cash assistance benefits and less than \$0.01 per case month for food stamp claims—the administrative cost impacts of Reg E were more substantial. For cash assistance programs, the administrative cost of processing and investigating claims in the full Reg E sites averaged \$0.69 per case month: \$0.33 for Citibank, \$1.00 for Hudson County, \$0.73 for Bernalillo County, and \$0.48 for Doña Ana County. Their average was \$0.32 higher than the cost of handling similar claims in the comparison site of Camden County. At \$0.59 per case month, administrative costs in San Juan County, the responsibility standard site, were nearly as high as in the full Reg E sites—\$0.22 per case month higher than in Camden County.

Reg E's impact in the Food Stamp Program was considerably less. Across the three full Reg E sites that issued food stamp benefits, the average administrative cost of processing and investigating Reg E claims was only about \$0.02 higher than the measured cost of \$0.33 per case month for processing and investigating food stamp claims in Camden County. The site-specific costs were \$0.33 per case month for Hudson County (i.e., the same as in Camden County), \$0.43 for Bernalillo County, and \$0.18 for Doña Ana County. Furthermore, the cost of handling food stamp claims in San Juan County was just \$0.10 per case month, or about \$0.23 per case month lower than in Camden County.

These administrative costs are large not only when compared to the liability arising from replaced benefits, but also in relation to estimates of cost savings due to the introduction of EBT. An evaluation of Maryland's EBT system found, for example, that EBT reduced overall administrative costs by an average of \$0.04 per case month. (Food stamp administrative costs there dropped by \$0.79 per case month under EBT, whereas cash assistance program costs

increased by \$0.90 per case month.)<sup>1</sup> Food stamp administrative costs in two earlier EBT demonstrations (in Ramsey County, Minnesota and Bernalillo County, New Mexico) dropped by \$0.15 and \$0.97 per case month, respectively.<sup>2</sup>

Although state and local EBT systems have been exempted from Reg E, the demonstration sites' experiences with administrative costs still provide valuable information. EBT clients continue to incur benefit losses, and many of these losses are covered by existing Food Stamp Program regulations. States and counties therefore need to consider which claim-handling procedures are most cost-efficient in responding to client reports of lost benefits.

## 5.1 DATA SOURCES AND RESEARCH APPROACH

### Data Sources

This analysis of administrative costs relies on data from many sources—some of which were extant and others of which involved original data collection—including:

- quarterly demonstration cost reports from New Jersey and New Mexico, which identified actual direct cost and indirect cost components, as well as some labor costs;
- salary information, including fringe benefit rates, on key Reg E personnel in each Reg E site and for key administrators in Camden County;
- salary information, including fringe benefit rates, on caseworkers in each county office;
- weekly time sheets from key Reg E personnel in each Reg E site, showing allocation of work hours across the following general functions:
  - ▶ Reg E-related work,
  - ▶ non-Reg E-related work,
  - ▶ evaluation support,
  - ▶ general administration, and
  - ▶ leave;

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<sup>1</sup> Christopher Logan *et al.*, *The Evaluation of the Expanded EBT Demonstration in Maryland, Volume 2: System Impacts of Program Costs and Integrity*, Cambridge, MA: Abt Associates Inc., May 1994.

<sup>2</sup> John Kirlin *et al.*, *The Impacts of State-Initiated EBT Demonstrations on the Food Stamp Program*, Cambridge, MA: Abt Associates Inc., June 1993.



- the claims tracking systems' indication of time spent by New Jersey vendor and Citibank customer service representatives (CSRs) and by New Mexico EBT specialists for each claim;
- the claims tracking systems' indication of time spent by Reg E staff on specific Reg E investigative and other claim-handling tasks;
- interviews with Reg E personnel and other state, county, and vendor staff;
- state estimates of costs associated with fair hearings; and
- a survey of county caseworkers that collected information on the frequency of claim-related events and average time spent on these events.

Appendix J contains more information about the use of these data sources in each site and about the specific methods employed to estimate administrative costs.

The evaluation's measurement of the administrative costs associated with Reg E claims processing (in the full Reg E sites and in the responsibility standard site) and general EBT claims processing (in the comparison site) includes labor, direct, and indirect costs. In addition to being allocated by program and claim type, these costs are reported according to the following cost centers, which generally correspond to specific claim processing functions:

- **Initial contact** — This administrative function captures the time spent by CSRs or EBT specialists who gathered initial claim information from clients reporting losses. The time data are claim-specific, allowing direct assignment to the appropriate program and claim type.
- **Caseworkers** — Because clients in the New Jersey and New Mexico sites frequently sought assistance from their caseworker when they experienced problems with their benefits, we surveyed about three-fourths of the sites' caseworkers in order to estimate the amount of time they spent on problems with lost or stolen benefits.<sup>3</sup> Substantial both in the Reg E sites and in the comparison site, this time and its related cost involved:
  - ▶ helping clients resolve relevant account problems;
  - ▶ answering questions about EBT and Reg E rights, responsibilities and procedures;
  - ▶ referring clients to investigators, to the vendor, or to emergency services as necessary; and
  - ▶ assisting clients with potential or existing claims.

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<sup>3</sup> No caseworkers are involved in the operations of Citibank's DPC system, so no caseworker survey was conducted in Texas.

Because a large percentage of caseworker time involved responding to general questions, it was deemed more accurate to allocate these costs in proportion to the programs' respective caseloads, rather than the number of claims affecting each program.

- **Reg E investigation or EBT account problem resolution** — Reg E and EBT claim-specific activity falls into this category. It includes the time and cost of investigative staff in all sites and additional, external investigation time and cost in sites where applicable. For Citibank, this category also incorporates all costs from the next two cost centers (i.e., ATM research and vendor training, and post-claim activities).

Staff effort documented on the weekly time sheets was allocated by program and claim type according to the tracking systems' distribution of time along these dimensions. Other staff efforts, documented primarily through interviews, were allocated by program and claim type based either on the proportion of claims or a subset thereof.<sup>4</sup>

- **ATM research and vendor training** — In New Jersey and New Mexico, the EBT vendor researched and helped resolve ATM misdispense claims. This category encompasses both this time and its cost, as well as ongoing vendor staff training specifically on Reg E procedures.
- **Post-claim activities** — The three functions covered in this category are issuing provisional and final credits, initiating recoupments, and handling appeals. These costs were allocated by program and claim type, depending either on claim-specific data or in proportion to their occurrence.

Direct non-labor costs (e.g., travel, telephone, supplies) and overhead are apportioned to labor costs within each function, in proportion either to labor hours or to labor costs, depending on how each site's overhead rate was originally computed.

## Research Approach

The states of New Jersey and New Mexico entered into cooperative agreements with the Food and Consumer Service to conduct the Reg E demonstrations in Hudson County and the three participating New Mexico counties (Bernalillo, Doña Ana, and San Juan). State and county Reg E costs associated with the demonstrations and their evaluation were covered by the

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<sup>4</sup> For example, additional investigation occurred almost exclusively on claims of unauthorized card usage. The time and related cost of these efforts, therefore, was not allocated in proportion to the overall number of claims, but instead in proportion to that site's frequency of claims of unauthorized usage.

cooperative agreements and billed to FCS on a quarterly basis. Citibank, in contrast, was operating the DPC system in Texas under Reg E procedures prior to its demonstration, so its Reg E-related costs were not billed separately.<sup>5</sup> No Camden County expenses were reimbursed as demonstration expenses; however, all administrative costs were reimbursed at the standard federal reimbursement rates for program administrative costs.

Rather than relying solely on billed costs, the evaluation uses a "resource inventory" approach to estimate the administrative costs of investigating and processing claims. Under this approach the evaluation team identified and priced all resources used in claim processing and investigation. This means that some costs not covered by the cooperative agreements, such as surveyed caseworker time, are counted as claim-related costs. Conversely, some costs covered by the cooperative agreements are not included in the evaluation's estimates of administrative costs. These latter costs were excluded only when they seemed beyond the scope of what other sites might implement as part of their Reg E procedures or general client protections against loss. Examples include a test in part of Bernalillo County of a photo EBT card (which, in any case, was implemented too late in the demonstration period to affect card loss rates or subsequent claims of unauthorized card usage), and the continued issuance of photo ID cards in Hudson County.<sup>6</sup> Finally, no evaluation-related costs are included in the estimates of claim processing and investigation costs.

Costs related to preparing for and implementing Reg E also are not counted in this chapter's estimates of the operational cost of Reg E. Instead, they are reported separately at the end of the chapter as Reg E start-up costs.

Several outcome measures are estimated in the analysis of administrative costs. The chapter first presents estimates of the *average per-claim time and associated cost* to process and investigate claims. Separate estimates are reported, by site, for cash assistance and food stamp claims. As in Chapters Three and Four, this analysis treats joint claims (that is, those claims involving both cash assistance and food stamp benefits) as two separate claims. Next, separate

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<sup>5</sup> Under its contract with the U.S. Treasury, however, Citibank did bill for expenses incurred in providing data for the evaluation.

<sup>6</sup> New Jersey's practice of issuing photo ID cards to clients was generally eliminated with the introduction of EBT. Hudson County continued to issue photo ID cards when it converted to EBT, however, anticipating that the photographs would aid Reg E investigations.

estimates are provided for the *average cost to process and investigate different types of claims* (unauthorized usage, non-receipt of funds, system or procedural errors, robbery and forced transaction). Finally, total administrative costs are reported as an *average cost per case month*. Again, separate estimates are presented, by site, for cash assistance and food stamp claims.

For each outcome measure, an average for the full Reg E sites is provided as well. In keeping with the practice in earlier chapters, San Juan County is not treated as a "full" Reg E site. Although most Reg E administrative procedures in San Juan County were quite similar to those in Bernalillo and Doña Ana Counties, claims of unauthorized card usage in San Juan did not need to be fully investigated. Thus, as before, it is appropriate to consider San Juan County as representing a separate and distinct model of Reg E operations.

Finally, the analysis identifies which cost components (i.e., costs from specific cost centers) represent fixed or variable costs with respect to number of claims filed. This information is needed when, in Chapter Six, we project Reg E administrative costs under different assumptions about claim rates.

## 5.2 ADMINISTRATIVE COSTS OF EBT AND REG E CLAIMS

Introducing Reg E protections can affect administrative costs in two different ways. First, to the extent that Reg E changes administrative procedures for investigating claims of lost benefits, costs associated with these procedures may differ from previous costs. For instance, the additional cardholder protections offered by Reg E (e.g., investigation of unauthorized transactions, timely investigation of all claims, and the requirement for provisional credits when investigations cannot be completed within a specified time) were expected to increase administrative costs. Second, Reg E can affect administrative costs by changing the number of claims submitted, either through expansion of the types of loss that are reimbursable, such as unauthorized card usage, or through changes in claim submission rates. We know that there is no consistent evidence that Reg E affected claim rates in the demonstration sites. Thus, any Reg E impacts on administrative costs are likely to be due nearly totally to the new claim handling procedures implemented by the Reg E sites.

### **Administrative Cost per Claim**

Exhibits 5-1 and 5-2 present the average time and cost, per claim, to investigate and process claims involving cash assistance and food stamp benefits, respectively. Each exhibit provides detail about the time and cost associated with each source of administrative costs, as defined in the previous section.

For both cash assistance and food stamp claims, the required level of effort to process and investigate claims was much *higher* in Hudson County than in any other site. Each cash assistance claim in Hudson County required, on average, over 45 person-hours of attention, leading to an average cost of \$1,144 per claim. Food stamp claims were even more costly—an average of 58 person-hours and \$1,317 per claim.<sup>7</sup>

Surprisingly, Camden County—operating under regular EBT client protections—was the next most costly site. Each food stamp claim in Camden County required an average of over 30 person-hours of effort, costing \$1,051 per claim. Cash assistance claims in Camden County required about 12 hours of effort each and cost an average of \$437.

In terms of both hours of effort and cost, the Citibank DPC system was most efficient in processing and investigating claims. Citibank staff averaged fewer than three person-hours per claim, and the average cost was just under \$100.

New Mexico spent more per claim, both in hours and dollars, than Citibank, but considerably less than either the other Reg E site (Hudson County) or the comparison site (Camden County). Costs in San Juan County were less than in either Bernalillo County or Doña Ana County, largely because of lower levels of caseworker assistance in San Juan County.

Returning to the average cost figures in the exhibits, what underlies the observed variation in time and administrative costs across both programs and sites? The degree to which administrative costs are fixed or variable provides a partial explanation, but other factors are responsible as well. It is therefore best to approach this discussion systematically, to examine the numbers in the two exhibits on a function-by-function basis.

**Initial Contact.** As shown in Exhibits 5-1 and 5-2, the time required by CSRs or EBT specialists to record information about a reported loss was a small fraction of the overall time

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<sup>7</sup> A later section of the chapter addresses the general question of why the cost to handle food stamp claims was higher than the cost to handle cash assistance claims.

## Exhibit 5-1

ADMINISTRATIVE COST PER CLAIM:  
CASH ASSISTANCE CLAIMS

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Average Hours per Claim <sup>a</sup>							
Total	12.22	4.15	2.64	45.19	7.59	8.24	11.72
Initial contact	0.18	0.22	0.15	0.19	0.25	0.24	0.19
Caseworkers <sup>b</sup>	10.91	0.18	n/a	8.36	1.64	3.03	2.08
Reg E investigation/ EBT problem resolution	0.40	3.33	2.48	34.97	5.46	4.53	9.07
ATM research/ vendor	0.70	0.40		1.62	0.23	0.43	0.37
Post-claim activities	0.04	0.01		0.06	0.01	0.01	0.01
Average Cost per Claim <sup>a</sup>							
Total	\$437	\$188	\$98	\$1,144	\$342	\$342	\$357
Initial contact	5	7	2	5	8	7	5
Caseworkers <sup>b</sup>	376	5	n/a	179	52	97	52
Reg E investigation/ EBT problem resolution	22	168	96	901	276	230	287
ATM research/							

## Exhibit 5-2

ADMINISTRATIVE COST PER CLAIM:  
FOOD STAMP CLAIMS

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Average Hours per Claim <sup>a</sup>							
Total	30.42	3.89	n/a	58.33	8.76	23.51	18.95
Initial contact	0.29	0.35		0.17	0.28	0.20	0.26
Caseworkers <sup>b</sup>	29.70	0.96		29.26	3.11	19.55	9.00
Reg E investigation/ EBT problem resolution	0.42	2.58		28.89	5.37	3.77	9.68
Post-claim activities	0.01	0.00		0.00	0.00	0.00	0.00
Average Cost per Claim <sup>a</sup>							
Total	\$1,051	\$168	n/a	\$1,317	\$378	\$831	\$582
Initial contact	8	11		5	9	6	7
Caseworkers <sup>b</sup>	1,020	28		597	97	633	226
Reg E investigation/ EBT problem resolution	23	129		716	272	192	349
Post-claim activities	<1	0		<1	1	0	1

<sup>a</sup> With the exception of caseworker costs (which are sample-based), the hours and costs reported in Exhibit 5-2 are the sites' actual costs. Thus, cost differences between sites are real and not estimated. We therefore did not conduct significance tests to ascertain whether these differences were significantly different from zero.

<sup>b</sup> Caseworker time and cost is allocated across programs in proportion to caseload size, not by the number of submitted claims.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

to process and investigate a claim. It also did not vary much by site or program (average time per claim ranged only from about 9 to 21 minutes across sites for both the food stamp and cash assistance programs). This consistency was not unexpected. As discussed in Appendices A through D, initial contact procedures did not vary much across sites; in most sites clients called the EBT Help Desk and gave information about the claimed loss to a CSR. In New Mexico, clients usually gave this information to their local office's EBT specialist, who then forwarded the information to the Help Desk or to the Reg E unit. Procedures for collecting initial contact information were the same regardless of the program involved, although procedures varied a bit depending on the type of claim reported.

The cost per claim for initial contact activities varied more across sites than did time per claim. Two factors contributed to cross-site variations in cost: differences in average time to complete the activity, and differences in average hourly labor costs. In this instance the cross-site differences in labor costs increased variability because the site with the lowest time per claim (Citibank's DPC system) also has the lowest hourly labor cost for customer service representatives.<sup>8</sup>

The time and cost associated with initial contact activities is a variable cost component. The CSRs and EBT specialists had other duties not related to claims of lost or stolen benefits, and only their claim-related activities are included in the exhibits' time and cost estimates.

**Caseworkers.** Tremendous variation exists across site and program with respect to average caseworker time spent per claim. Because the amount of caseworker time is often large relative to total time spent per claim, we need to examine this variation in order to understand overall levels of administrative effort and cross-site differences.

The most striking aspect of caseworker time is the average amount of time spent by caseworkers in Camden County and Hudson County. These New Jersey caseworkers spent much more time assisting clients with EBT account problems than did their counterparts in New Mexico.<sup>9</sup> We cannot explain the full difference in caseworker effort. Anecdotally, we know that some of the Camden County caseworker time was spent with clients who were upset after

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<sup>8</sup> We will shortly see an instance in which labor rate differences decreased, rather than increased, cross-site variability, compared to hours devoted to the activity.

<sup>9</sup> Appendix K provides a copy of the caseworker survey and an analysis of the components of caseworker effort in each site.



the Help Desk told them that unauthorized transactions were not reimbursable. A larger part of the difference, however, is likely to be due to local office EBT operations in the two states. In New Mexico, clients are told to report EBT problems to the EBT specialist in each office, not to their caseworker. The New Jersey counties have no counterpart to the EBT specialist, so clients there are more likely to refer questions to their caseworker. Although it might appear that the effect of this organizational difference would be merely a transfer of costs from one group of workers to another, New Mexico's EBT specialists may be more efficient in handling EBT problems than are New Jersey's caseworkers because they handle EBT problems on an ongoing basis. The EBT specialists also work closely with the New Mexico Help Desk in resolving more difficult problems.<sup>10</sup>

Turning to caseworkers in Hudson County, a surprising finding is the large amount of time they spent (when averaged on a per-claim basis) assisting clients with EBT and Reg E-related problems. Hudson County clients were told to call the EBT Help Desk, not their caseworker, for EBT-related problems. (In this regard, Hudson County's Reg E operations were similar to New Mexico's Reg E operations, with the Help Desk substituting for the EBT specialist.) Furthermore, for those clients who did contact their caseworker first, the caseworker could simply have advised them to call the Help Desk, which would have taken very little time.

The per-claim time estimates in Exhibits 5-1 and 5-2 for Hudson County caseworkers are large for three reasons. First, the caseworkers handled a large number of client contacts concerning perceived account problems—an average of about 15 contacts per caseworker each month. Second, instead of quickly telling clients to call the Help Desk, caseworkers in Hudson County reported spending an average of 5 to 18 minutes *per contact* with a client, depending on reason.<sup>11</sup> Third, the *per-claim* costs are high because relatively few Reg E claims were filed in Hudson County, an average of only 0.13 claims per month per caseworker.

It does not appear that the large amount of Hudson County caseworker time arises from contacts with clients filing Reg E claims. Based on results from the survey of Reg E claimants, 80 percent of the Hudson County respondents said they first reported their loss by calling the

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<sup>10</sup> It is possible that there is some also measurement error in the treatment of the EBT specialists' Reg E costs. That is, the EBT specialists may have handled some benefit loss problems that did not lead to formal Reg E claims. If so, this cost has not been measured.

<sup>11</sup> Average time per event, by reason for contact, is presented in Exhibit K-2 of Appendix K.

Help Desk. Only 14 percent said their first contact was with a caseworker. These findings make the Hudson County caseworker time results even more bewildering. It appears that a great many clients in Hudson County contacted their caseworker to inquire about perceived EBT account problems. They were apparently satisfied with the information or explanations they received; hardly any followed through with a formal Reg E claim.<sup>12</sup>

One other unusual feature of caseworker time is the relatively large (for New Mexico) amount of caseworker effort in Doña Ana County, especially for claims of lost food stamp benefits (19.6 hours per claim). This results from one caseworker in Doña Ana County having reported a considerable amount of time each month referring clients with lost benefits to emergency services.<sup>13</sup>

In comparing the average *cost* per claim arising from caseworker efforts across sites, we note that the average hourly labor cost for caseworkers was about 60 percent higher in Camden County than in Hudson County. The hourly labor cost for caseworkers in New Mexico was about 50 percent higher than Hudson County's hourly cost. Thus, caseworker cost per claim was highest in Camden County. Caseworkers there spent as much or more time per claim assisting clients as anywhere else, and they had the highest average salaries.

Finally, with regard to fixed versus variable costs, caseworker time is largely fixed with respect to the number of claims filed. That is, with so much time being spent with clients who did not file Reg E claims, average time (and cost) per claim would vary inversely with the number of claims filed.

**Reg E Investigation/EBT Problem Resolution.** Although caseworkers helped clients with general EBT problems in all sites (except in Citibank's DPC system), investigative staff in each Reg E site were charged with handling the investigation and resolution of claims of benefit

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<sup>12</sup> It is precisely for this reason that caseworker time has been allocated across programs in proportion to caseload size, not claims submitted. Caseworkers were not working on specific claims, and the mismatch between number of contacts and number of claims filed suggests that caseworker effort is more dependent on caseload size than filed claims.

<sup>13</sup> Recall from Chapter Three that the rate of claim submission in Doña Ana County was particularly low. If clients with lost benefits in the county were seeking emergency benefits rather than filing claims, this would explain the low claim rate as well as the high average cost per claim of caseworker time in Exhibits 5-1 and 5-2.

loss. The main cost driver for administrative costs in these site was time spent by Reg E staff processing and investigating claims.<sup>14</sup>

Excluding Hudson County, average Reg E staff time per claim ranged from just 2.5 hours per claim (Citibank) to 5.5 hours per claim (for cash assistance claims in Bernalillo County).<sup>15</sup> Costs arising from these hours generally represent between about 50 and 60 percent of total average cost per claim. In contrast, average EBT problem resolution time in Camden County was quite low—about 25 minutes per claim—for two reasons. First, claims of unauthorized card usage were not investigated because such losses were not reimbursable. Second, although Camden County staff dealt with some missing benefit problems, the county relied on Deluxe Data Systems to investigate most claims.

Compared to average Reg E investigation time for both Citibank and New Mexico, Hudson County represents an unusual situation. Average Reg E investigation time in Hudson County was about 35 hours per cash assistance claim and 29 hours per food stamp claim. Investigation costs in Hudson County averaged \$901 per cash assistance claim and \$716 per food stamp claim.<sup>16</sup>

In seeking to understand why average investigation time in Hudson County usually exceeded that of the other Reg E sites by factors of from 6:1 to 10:1, it is important to consider that Hudson County was the only site that *required* claimants to come to the welfare office to meet with an investigator and to fill out and sign an affidavit. Because investigators never knew when a claimant would appear for this meeting, the county decided to station at least one investigator in the office throughout the day to meet with clients. With relatively few claims being filed in Hudson County, this meant that investigators spent a lot of time waiting for the next claimant to appear. Indeed, based on interviews with the county's two senior investigators, it appears that actual time spent processing or investigating claims in Hudson County averaged

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<sup>14</sup> At Citibank and in New Mexico, a small portion of this investigative time is attributed to investigators outside of the Reg E unit, called in occasionally to examine complex or potentially fraudulent claims.

<sup>15</sup> The true range is a bit greater because the Citibank average of 2.5 hours includes time spent on ATM investigations and post-claim activities, whereas time spent on these functions in the other sites is separately identified.

<sup>16</sup> This is an example where cross-site differences in labor costs reduce cross-site variability, compared to average time spent per claim. Hudson County's hourly labor costs for investigations were lower than other sites' labor costs, partially offsetting its high average investigation time.

about 2.2 hours per claim (for both food stamp and AFDC claims), leaving over 32 hours of waiting time per AFDC claim, and over 26 hours of waiting time per food stamp claim. If this time could have been productively spent on non-Reg E activities, Hudson County's average total cost for cash assistance claims would have dropped from \$1,144 per claim to about \$300 per claim. For food stamp claims, average per-claim costs would have dropped from \$1,317 to about \$660.<sup>17</sup>

Based on the above discussion, it is clear that Reg E investigation time in Hudson County had a large fixed-cost component. Although Hudson County investigators were occasionally assigned to non-Reg E duties, they usually worked on Reg E investigations or waited to meet with claimants or to handle other Reg E-related work (such as dealing with lost or stolen EBT cards). In contrast, claim processing and investigation time at Citibank and in New Mexico and Camden County were truly variable costs, with staff responding to investigation and processing duties on an as-needed basis.

**ATM Research/Vendor.** The next category, ATM research and vendor training, includes vendor time and cost for the following activities: researching claims of ATM misdisperse in New Jersey and New Mexico;<sup>18</sup> issuing credits to the respective state and county agencies when claims were verified; and, in Hudson County, training new Help Desk staff on Reg E procedures to follow when clients reported a loss.<sup>19</sup> When averaged over all claims (i.e., not just claims of ATM misdisperse), the total average time for these activities varied between 0.23 and 1.62 hours per claim, as shown in Exhibit 5-1.

According to officials at First Security Bank in Albuquerque, the average time needed to research a claim of ATM misdisperse in New Mexico was one-half hour. In contrast, Deluxe Data Systems needed about 1.5 hours investigation time for each misdisperse claim from Hudson

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<sup>17</sup> The differential effect across programs arises because Reg E investigation represents a larger proportion of AFDC claim costs than food stamp claim costs. This, in turn, is due to the allocation of caseworker costs according to program caseloads.

<sup>18</sup> Citibank's ATM research time is included in its Reg E investigation category.

<sup>19</sup> Initial Reg E training costs are included in the start-up cost estimates presented at the end of the chapter. In addition, although Deluxe staff underwent ongoing training for problem resolution in both Camden and Hudson counties, the training time accounted for here is the *added* training they received to handle Reg E problems for Hudson County clients. There was no comparable training in New Mexico because experienced state staff handled the Help Desk calls.

and Camden counties. Deluxe required more time, on average, than First Security Bank because it had to research claims that were routed over an ATM network, whereas most ATM withdrawals in New Mexico's EBT system were conducted at ATMs owned by First Security Bank.

ATM research time was largely a variable-cost component. For Hudson County, however, time spent training CSRs on Reg E procedures each month, which is included in this cost component, was a fixed cost.

**Post-Claim Activities.** Another variable cost, post-claim activities, covers several items: the time and cost of issuing checks to Camden County clients whose claims were approved; the time and cost of crediting EBT accounts for Hudson County and New Mexico clients whose claims were approved; the time and cost in New Jersey and New Mexico of establishing recoupments for clients who received provisional credits but whose claims were subsequently denied;<sup>20</sup> and the time and cost associated with handling appeals of claim decisions (which occurred only in Bernalillo County).

As can be seen in the exhibits, these post-claim activities required very little time in any of the sites. The time figures for Camden County and Hudson County are higher than the New Mexico figures, largely because procedures to establish a recoupment order in New Mexico were more streamlined than in either Camden or Hudson County.

The time for post-claim activities in Bernalillo County is small even though this is the only county where Reg E decisions were appealed to a Fair Hearing. There were only four appeals, two of which involved both cash and food stamps.<sup>21</sup>

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<sup>20</sup> The time required for recovering provisional credits in Citibank's DPC system is included as part of Reg E investigation time.

<sup>21</sup> As of January 1997, the State of New Mexico had not charged the Reg E unit for the actual cost of these hearings, so this analysis uses the state's budgeted amount of \$40 per hearing. Reg E staff spent an average of 4.5 hours per appeal (almost half of which was transportation time to the state capitol for the appeal).

### Administrative Cost by Claim Type

In an effort to understand better the level of effort (and cost) needed to process and investigate claims of lost benefits, Exhibit 5-3 presents average per-claim costs by claim type.<sup>22</sup> Some of the results are quite predictable. For instance, New Mexico staff spent very little effort investigating claims of unauthorized usage from San Juan County because claims of unauthorized usage there were not reimbursable. Other results in the exhibit are not immediately clear and require some explanation.

We had expected that, due to the additional time needed to investigate the circumstances surrounding claims of unauthorized usage, such claims would have been the most expensive to process and investigate. This pattern exists for both cash assistance and food stamp claims in Bernalillo and Doña Ana Counties and, to a lesser extent, for cash assistance claims at Citibank, but it does not hold in Hudson County. Upon further investigation we determined that the average cost of *approved* claims of unauthorized usage in Hudson County was \$4,618 for cash assistance claims and \$6,905 for food stamp claims, whereas the county's average cost for *denied* claims of unauthorized usage was \$800 for cash assistance claims and \$1,230 for food stamp claims. Recalling from Chapter Four that many claims of unauthorized usage were denied when claimants failed to provide documentation within specified time frames, we see a pattern in Hudson County of relatively low administrative costs when claimants failed to provide information (and, consequently, there was nothing for the investigators to act upon) and extremely high costs when documents were provided. Such a high percentage of all submitted claims of unauthorized usage were denied due to missed deadlines for providing documentation (71 percent of cash assistance claims and 64 percent of food stamp claims), the average cost across all claims of unauthorized usage was relatively low.<sup>23</sup>

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<sup>22</sup> We can examine average administrative cost by claim type because we have measures of actual time spent on individual claims for Reg E staff and CSRs in each site (except in Camden County, where claim-specific information is available only for CSR time). Other cost elements (e.g., caseworker time) are allocated across claim types in proportion to the number of claims submitted within each category. This allocation rule means that a portion of total costs is constant across claim types, which probably understates the actual variation in total costs across claim types.

<sup>23</sup> Although Citibank's corresponding denial rate of 78 percent was similar to Hudson County's, Citibank's costs were not higher for denied claims given its staff's different investigative priorities and style.

## Exhibit 5-3

## AVERAGE ADMINISTRATIVE COSTS PER CLAIM, BY CLAIM TYPE

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<i>Cash Assistance Benefits</i>							
Unauthorized usage	\$399	\$15	\$112	\$1,141	\$409	\$511	\$426
Non-receipt of funds	475	217	92	1,216	263	320	339
System or procedural error	399	188	92	1,222	311	a	229
Robbery or forced transaction	400	a	92	988	439	a	754
<i>Food Stamp Benefits</i>							
Unauthorized usage	\$1,021	\$36	n/a	\$1,351	\$390	\$912	\$595
System or procedural error	1,093	215		1,701	264	797	562
Robbery or forced transaction	a	a		996	466	a	820

<sup>a</sup> No claims of this type submitted at this site.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

We do not see, however, the same cost pattern across denied and approved claims in the other sites. Indeed, in all three New Mexico counties, the average cost for denied claims often exceeds the average cost for approved claims. These differential findings for Hudson County and New Mexico are consistent with an understanding, based on site interviews and observation, that New Mexico's Reg E staff often spent considerable time examining available evidence before denying a claim, whereas Hudson County staff focused on collecting and reviewing evidence before approving a claim (to determine that it could not be denied). This interpretation is generally consistent with site differences in approval rates: New Mexico approved a larger percentage of claims than did Hudson County, especially for food stamp

Presenting administrative costs on a per-claim basis is useful because, despite some limitations noted in the previous section, it is relatively easy to interpret the numbers. For



## Exhibit 5-4

ADMINISTRATIVE COSTS PER CASE MONTH:  
CASH ASSISTANCE CLAIMS

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Total cost/case month	\$0.369	\$0.587	\$0.330	\$0.999	\$0.733	\$0.478	\$0.691
Initial contact	0.004	0.021	0.006	0.004	0.016	0.010	0.010
Caseworkers <sup>a</sup>	0.317	0.016	n/a	0.156	0.110	0.135	0.102
Reg E investigation/EBT problem resolution	0.018	0.526	0.324	0.786	0.592	0.321	0.555
ATM research/vendor	0.028	0.022		0.051	0.009	0.011	0.023
Post-claim activities	0.001	0.001		0.001	0.005	<0.001	0.001

<sup>a</sup> Caseworker time and cost is allocated across programs in proportion to caseload size, not by the number of submitted claims.

n/a Not applicable. No caseworkers are involved in the Citibank DPC system.

County's cost of \$0.999 per case month is nearly three times larger, and Bernalillo County's cost of \$0.733 per case month is twice as large as Camden's cost. San Juan County's cost of \$0.587 per case month is 59 percent higher than the cost in Camden County.

For food stamp claims (Exhibit 5-5), per-case-month costs in Camden County are closer to the middle of the range of costs in the Reg E sites. Camden County's cost of \$0.326 per case month is essentially identical to the Hudson County cost of \$0.328 per case month. It is three times higher than the San Juan County cost of \$0.101 per case month, and it is nearly twice as high as the Doña Ana cost of \$0.184. The Camden County cost, however, is 23 percent lower than Bernalillo County's per-case-month cost of \$0.426 to handle food stamp claims.

This evidence suggests that Reg E increased administrative costs for claims involving cash assistance benefits, but that it had little or no effect on claims of lost food stamp benefits. If this is a real effect, what might be causing the differential impact across programs? The answer appears to lie within the Camden County figures themselves: Camden County's costs

## Exhibit 5-5

ADMINISTRATIVE COSTS PER CASE MONTH:  
FOOD STAMP CLAIMS

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Total cost/case month	\$0.326	\$0.101	n/a	\$0.328	\$0.426	\$0.184	\$0.344
Initial contact	0.002	0.006		0.001	0.010	0.002	0.004
Caseworkers <sup>a</sup>	0.317	0.016		0.149	0.110	0.139	0.133
Reg E investigation/ EBT problem resolution	0.007	0.078		0.179	0.305	0.043	0.206
Post-claim activities	<0.001	0.000		<0.001	0.001	0.000	<0.001

<sup>a</sup> Caseworker time and cost is allocated across programs in proportion to caseload size, not by the number of submitted claims.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

for handling claims involving food stamp benefits seem high relative to other sites' food stamp-related costs and the costs of cash assistance claims in all sites. For instance, referring to Exhibits 5-1 and 5-2, the average per-claim costs to process and investigate cash assistance and food stamp claims are roughly the same in San Juan, Hudson, and Bernalillo Counties. Only in Camden County and Doña Ana County do food stamp claims cost considerably more to process and investigate than cash assistance claims. The reason Doña Ana County's food stamp claim cost is high is that one caseworker reported spending lots of time referring clients for emergency services. What explains the pattern in Camden County?

In all sites with caseworker costs, we allocated those costs across programs according to the relative size of the cash assistance and food stamp caseloads. Only in Camden and Doña Ana Counties, however, do caseworker costs represent more than 45 percent of total administrative costs. Caseworker costs represent 86 percent of Camden County's total cost for dealing with cash assistance claims, and fully 97 percent of the county's cost of dealing with

food stamp claims.<sup>25</sup> (The 97 percent figure is as high as it is because most of the food stamp claims in Camden County were for unauthorized card usage, and these claims did not need to be investigated because such losses were not reimbursable under standard EBT protections.) Thus, Camden County's administrative cost for food stamp claims is high because caseworkers represent a large share of total costs in the County, and caseworker costs are allocated across programs according to caseload size.

If caseworker costs are allocated instead across programs on the basis of the claim rate, then the evidence strengthens for a consistent Reg E effect on administrative costs. Per-case-month costs calculated on this basis are presented in Exhibit 5-6. In this analysis, costs are higher in the Reg E sites than in Camden County for both cash assistance and food stamps, though the cash assistance effect is smaller than it appears in the earlier analysis.

**Exhibit 5-6**

**ADMINISTRATIVE COSTS PER CASE MONTH:  
CASEWORKER COST ALLOCATED BY CLAIM FREQUENCY**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
			Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
Cash assistance claims	\$0.583	\$0.607	\$0.330	\$1.117	\$0.793	\$0.675	\$0.794
Food stamp claims	0.208	0.091	n/a	0.259	0.405	0.098	0.273

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

Even in Exhibit 5-6, however, an absolutely consistent pattern of a Reg E effect does not emerge. In the end, we are left with a comparison site whose administrative cost for dealing with claims of lost benefits was high relative to the administrative cost measured in the Reg E sites. The reason for Camden County's relatively high cost is the amount of time caseworkers reported they spent assisting clients who thought benefits were missing from their EBT accounts.

<sup>25</sup> In Doña Ana County, caseworker costs represent 76 percent of the total cost to handle claims involving food stamp benefits.

### **5.3 REG E START-UP COSTS**

In addition to estimating the operational administrative costs of Reg E, the evaluation examined the costs associated with implementing Reg E procedures in the first place. Start-up costs included, where appropriate, the following:<sup>26</sup>

- creating an implementation plan and issuing public notice;
- negotiating with a vendor;
- modifying EBT training manuals and hiring and/or training staff on Reg E;
- developing procedures for claims processing and creating any necessary forms;
- modifying existing computer system(s) and/or developing a Reg E computer tracking system;
- acquiring new space, installing telephone lines, and obtaining project equipment;
- developing and distributing a disclosure notice;
- coordinating procedures for recovery of provisional credits and for appeals; and
- coordinating with local office managers.

Exhibit 5-7 provides the evaluation's estimates of Reg E start-up costs, based on demonstration cost reports and interviews with site officials. No start-up costs are reported for the Citibank DPC system, which has been operating under Reg E protections since its inception in 1992.

Because of site by site variation in Reg E implementation, there are differences in Reg E start-up costs. For example, Hudson County made use of existing office equipment and space, whereas New Mexico needed to make new purchases to outfit its Reg E unit. In addition, New Jersey's vendor staff were involved in reviewing forms and procedures and needed to train CSRs on Reg E, whereas New Mexico's vendor played no part in planning because county-level EBT specialists assumed these responsibilities. New Mexico also mailed its disclosure notice to clients, whereas Hudson County simply distributed the notice to clients during EBT training

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<sup>26</sup> We have excluded estimates of administrative costs that apply *only* in a demonstration setting (for example, negotiating the cooperative agreement or discussing evaluation needs) in order to provide more realistic estimates that would apply elsewhere when implementing Reg E.

**Exhibit 5-7****REG E START-UP COSTS, BY CATEGORY**

	<b>Hudson County (NJ)</b>	<b>New Jersey State</b>	<b>New Jersey Vendor</b>	<b>New Jersey Total</b>	<b>New Mexico Total</b>
<b>Total start-up costs</b>	<b>\$29,603</b>	<b>\$49,332</b>	<b>\$14,044</b>	<b>\$92,979</b>	<b>\$134,696</b>
Implementation plan and public notice	\$2,209	\$2,032		\$4,241	\$7,051
Negotiation with vendor/vendor start-up			14,044	14,044	0
Hiring and/or training staff	9,186	203		9,389	3,557
Development of Reg E procedures and forms	15,292	4,877		20,169	3,494
Creation/modification of tracking system		23,116		23,116	38,195
Office set-up				0	33,195
Preparation of disclosure notice		2,845		2,845	37,096
Coordination with other agencies	2,915	10,567		13,483	4,083
Coordination with local offices		5,690		5,690	7,970

(which was possible because Reg E and EBT were implemented simultaneously in Hudson County).

The costs in Exhibit 5-7 may be somewhat inflated by special demonstration requirements, representing an upper end of the potential cost to begin operating under Reg E. Without demonstration support, for example, states or counties might choose not to develop and maintain such elaborate (and expensive) tracking systems. Similarly, they might merge Reg E operations with existing program operations and not hire additional staff or acquire additional office space.

#### **5.4 CONCLUSIONS**

The administrative costs of handling claims of lost benefits in Camden County were \$0.369 per case month for claims involving AFDC benefits and \$0.326 per case month for food stamp claims. In contrast, administrative costs in the Reg E sites ranged from \$0.330 to \$0.999 per case month for cash assistance claims and \$0.101 to \$0.426 per case month for food stamp claims. Thus, administrative costs in the Reg E sites were usually, but not always, higher than in Camden County. The reason Reg E administrative costs were not uniformly higher than costs

in Camden County is because caseworkers in Camden County spent an unusually large amount of time helping clients with EBT account problems, an average of nearly 11 hours per cash assistance claim and 30 hours per food stamp claim.

If the time Camden County caseworkers spent dealing with account problems was unusually high in relation to other EBT sites, then the likely impacts of Reg E on administrative costs have been *understated* in these demonstrations. Absent comparable time data from caseworkers in other EBT sites, we cannot say how representative the Camden County costs might be. We do note, however, that caseworker time in Camden County was not that much higher than caseworker time in the other New Jersey site, Hudson County. The high costs in Camden County then, while surprising, may not be out of line with caseworker costs in at least some other locations.

As for the Reg E cost estimates themselves, they showed great variability in response to different approaches for implementing Reg E protections. Administrative costs were generally, though not always, lower when responsibility for Reg E activities was centralized at the state level or shifted to the EBT vendor. They were also lower when performed by staff who had other, non-Reg E duties as well.

## CHAPTER SIX

### PROJECTIONS OF DEMONSTRATION RESULTS

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Based on evidence from the Reg E demonstrations, this chapter projects Reg E claim rates, liability, and administrative costs under a number of different scenarios. With most EBT systems (i.e., those established or administered by state or local governments) now exempted from Reg E, the usefulness of projecting Reg E impacts may seem limited. There are many, however, who argue that the additional client protections offered by Reg E have merit. These extra protections include:

- reimbursement of losses due to unauthorized card usage, upon verification of the loss;
- timely investigation and resolution of any claim;
- temporary use of provisionally-credited funds if the investigation takes longer than specified in the regulation (10 business days for losses incurred at an ATM, and 20 business days for losses incurred at a POS device); and
- the right to review copies of documents used by the card issuer when deciding to deny a claim of lost benefits.

If these protections have merit and would not be too costly, then some states or counties may consider implementing one or more of the additional Reg E protections in the future, even without federal requirements. Furthermore, the projected impacts may help those states planning or implementing "combined" EBT systems (i.e., those systems issuing benefits for both direct federal and state-administered programs). These states must either offer Reg E protections to all their clients or figure out how to identify accurately and efficiently which clients receive which protections, and when.<sup>1</sup> Knowing more about the projected impacts of Reg E may help these states weigh the advantages and disadvantages of each approach.

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<sup>1</sup> The potential difficulty of offering Reg E protections to only a portion of an EBT system's caseload or programs is illustrated by the following example: Suppose a client receiving both SSI benefits (which are protected by Reg E) and food stamp benefits (which are not protected) calls to report unauthorized usage of his or her card. Considerable questioning and research may be necessary just to learn how many benefits from each program were involved; only then would the system know whether to treat at least part of the loss as a Reg E claim.

Turning to the projections themselves, claim rates could be either higher or lower than in the demonstration sites if Reg E were implemented elsewhere; there are offsetting factors. Looking just at possible effects of caseload composition on claim rates, it is likely that average claim rates for lost cash assistance benefits would be somewhat higher elsewhere than in the demonstration sites, whereas average claim rates for lost food stamp benefits would be lower. These projected differences arise because the demonstration site caseloads varied from the national average in terms of several characteristics that, in turn, were related to claim rate levels. Given an apparently large number of perceived losses that were not reported in the demonstration sites, however, there is clearly a possibility of higher claim rates across the board if recipients in other locations were to be more likely to report losses than recipients in the demonstration sites.

On the other hand, the projected administrative costs for processing and investigating claims of lost benefits are generally lower than the Reg E costs presented in the last chapter, even after moderate increases in claim rates are considered. The reason for the lower projected costs is that, in Hudson County and all three New Mexico counties, a substantial fraction of total administrative effort is essentially a fixed cost because Reg E staff had regular Reg E work schedules that were not necessarily tied to workload. If staffing in these sites became more responsive to changes in workload (or if operating procedures were redesigned to make more efficient use of staff time), then administrative costs could be reduced.

## **6.1 TOTAL CLAIM-RELATED COSTS**

Before turning to the details of the projected impacts of implementing Reg E protections elsewhere, we first review the key impacts observed during the twelve-month demonstrations in New Jersey, New Mexico, and at Citibank's DPC system in Texas. We have previously mentioned that the full financial impacts of Reg E arise from three sources:

- replaced benefits;
- provisional credits that are not recovered after claims are denied; and
- the cost of implementing and administering the protections.

Nearly all of the total financial impact of Reg E in the demonstration sites was due to the administrative cost of processing and investigating claims of lost benefits. This can clearly be



seen in Exhibit 6-1, which combines cost information from Chapters Four and Five. The cost of replaced benefits and unrecovered provisional credits was no more than a penny or two per case month in all sites except Bernalillo and Doña Ana Counties, where higher approval rates for cash assistance claims of unauthorized card usage boosted costs by \$0.09 and \$0.03 per case month, respectively. In contrast, Reg E administrative costs for cash assistance claims were, depending on site, \$0.11 to \$0.63 per case month higher than the cost of providing regular EBT protections in Camden County. Citibank's Reg E administrative costs and the average Reg E administrative cost for food stamp claims, however, were generally more similar to Camden County's costs for handling food stamp claims.

Exhibit 6-1

**FINANCIAL COST OF HANDLING CLAIMS OF LOST BENEFITS**  
(dollars per case month)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County	San Juan County	Citibank DPC System	Hudson County	Bernalillo County	Doña Ana County	All Full Reg E Sites
<b>Cash Assistance Benefits</b>							
Total costs	\$0.369	\$0.597	\$0.350	\$1.009	\$0.833	\$0.508	\$0.721
Approved claims	0.000	0.000	0.020	0.010	0.090	0.030	0.030
Provisional credits	0.000	0.010	0.000	0.001	0.010	0.001	0.001
Administrative costs	0.369	0.587	0.330	0.999	0.733	0.478	0.691
<b>Food Stamp Benefits</b>							
Total costs	\$0.326	\$0.101	n/a	\$0.329	\$0.446	\$0.185	\$0.354
Approved claims	0.000	0.000		0.001	0.020	0.001	0.010
Provisional credits	0.000	0.000		0.000	0.001	0.000	0.001
Administrative costs	0.326	0.101		0.328	0.426	0.184	0.344

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

## 6.2 PROJECTIONS OF CLAIM RATES

Exhibit 6-2 summarizes claim submission rates encountered within each site during the demonstrations, both overall and by type of claim. What do these numbers and our understanding of the demonstration sites tell us about what claim rates might be if other sites implemented Reg E protections in the future?

**Exhibit 6-2**  
**CLAIM SUBMISSION RATES**  
(claims per 1,000 case months)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County	San Juan County	Citibank DPC System	Hudson County	Bernalillo County	Doña Ana County	All Full Reg E Sites
<i>Cash Assistance Benefits</i>							
All claims	0.84	3.13	3.38	0.77	2.13	1.36	1.89
Non-receipt of funds	0.39	2.50	2.17	0.47	1.00	1.17	1.16
System or procedural error	0.02	0.21	0.26	0.01	0.15	0.00	0.11
Unauthorized usage	0.43	0.42	0.95	0.29	0.98	0.19	0.61
<i>Food Stamp Benefits</i>							
All claims	0.32	0.60	n/a	0.24	1.12	0.22	0.53
System or procedural error	0.02	0.44		0.03	0.22	0.15	0.12
Unauthorized usage	0.30	0.16		0.21	0.90	0.07	0.46

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

Unfortunately, our understanding of factors affecting claim rates is too limited to be able to explain fully the observed variability in claim rates. It appears, however, that at least four factors play a role in determining claim rates. These four factors are:

protections were implemented elsewhere.

If certain subgroups of EBT participants are more or less likely to experience a loss of benefits and file a Reg E claim than other subgroups, then differences in caseload composition could help explain the different claim rates observed across the demonstration sites. Caseload composition would also have to be considered when projecting likely claim rates in other locations.

The models' dependent variable—claim rate—is measured at the household level. The rate is computed as the number of claims filed by a household during the demonstration (almost always zero or one) divided by the number of months the household participated in the demonstration. This fraction was then multiplied by 1,000 to match the definition used in previous chapters (i.e., claims per 1,000 case months).

<sup>2</sup> Other household or recipient variables from the states' program files were tested in the models and found

**Exhibit 6-3**  
**CLAIM RATE MODELS**

	AFDC	Food Stamps
Intercept <sup>a</sup>	0.292*	-0.547
African-American	0.171	0.481**
Hispanic	-0.357**	-0.016+
Over 30 years old	-0.325**	
Over 59 years old		-0.581**
Multiple adults	0.407**	
Single, no children		0.906**
Single, with children		0.010
Average monthly allotment	0.002**	0.003**
Bernalillo County	2.795**	1.689**
Doña Ana County	1.610**	0.305**
San Juan County	4.161**	0.867**
Demonstration rate	1.35	0.58

+ Statistically significant at the 10 percent level.

\* Statistically significant at the 5 percent level.

\*\* Statistically significant at the 1 percent level.

<sup>a</sup> Intercept represents projected claim rate of the following groups (depending on model): AFDC recipients from Hudson County who are neither African-American nor Hispanic, who are 30 years old or younger, and who are in assistance units containing no other adults; food stamp recipients from Hudson County who are neither African-American nor Hispanic, who are 59 years old or younger, and who are married, widowed, separated or divorced.

Exhibit 6-3 presents the results of the modeling effort. The estimated coefficients in the exhibit indicate the impact of the explanatory variable on claim rates. Thus, for instance, AFDC claim rates for recipients over 30 years old are estimated to be 0.325 points *lower* than claim rates for otherwise similar recipients who are 30 years old or younger. The double asterisk by the number indicates that, statistically, there is less than one chance in 100 that there is no relationship between age and claim rate (i.e., after taking into account the relationship between claim rate and other explanatory variables in the model).

One important finding from the modeling effort is that claim rates do vary across demographic subgroups. For instance, compared to households of "other" race or ethnicity, African-American households were more likely to file food stamp Reg E claims, whereas

Hispanic households were less likely to file either food stamp or AFDC claims. Similarly, older recipients were less likely to file claims than younger recipients. In addition, AFDC households with multiple adults were more likely to file claims than single-adult households, and single food stamp recipients without children were more likely to file claims than ever-married recipients. For the most part, the estimated coefficients are not only statistically significant, but large relative to the average claim rate within each program: an AFDC claim rate of 1.35 and a food stamp claim rate of 0.58.<sup>3</sup>

The models also show that households with higher monthly allotments were more likely to file a Reg E claim than households with lower monthly allotments. The small coefficients in Exhibit 6-3 do not necessarily mean a small effect; a \$100 increase in monthly benefits translates into a 13 percent increase in AFDC claim rates and a 42 percent increase in food stamp claim rates.

Of perhaps greatest interest, the estimated coefficients for the county location variables are large (relative to the mean) and statistically significant even after the effects of household demographics and monthly allotment are considered. This suggests that unmeasured site-specific factors may be quite important determinants of claim rates in any area.<sup>4</sup>

**Projections of Claim Rates.** To what extent did the AFDC and food stamp caseloads in Hudson County and the New Mexico Reg E sites match national program caseloads in terms of demographic mix? Not very closely, as shown in Exhibit 6-4. Compared to national caseload characteristics,<sup>5</sup> the demonstration sites—as a group—had a much higher percentage of Hispanic recipients and a lower percentage of African-American recipients. Recipients in the demonstration sites were also somewhat older than national program caseloads. In addition, AFDC cases in the demonstration sites were more likely than cases nationwide to have more

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<sup>3</sup> The AFDC claim rate does not match the average Reg E rate of 1.89 presented in Chapter Three because Citibank's rate has been excluded.

<sup>4</sup> Due to the construction of the dependent variable, it is impossible to report a valid measure of the degree to which these models explain variability in claim rates. The traditional  $R^2$  values are 0.006 for the AFDC model and 0.004 for the food stamp model, indicating that less than 1 percent of each dependent variable's variance is explained by the model. The problem arises because, although the dependent variable is theoretically continuous, most of its values are either 0 or 83.3. With such a distribution, it is nearly impossible to obtain high values of  $R^2$ .

<sup>5</sup> National data are from the 1994 Green Book and the *Characteristics of Food Stamp Households, 1994*.

**Exhibit 6-4**  
**CASELOAD CHARACTERISTICS**

Demographic Characteristic	AFDC Cases		Food Stamp Cases	
	Demonstration Sites <sup>a</sup>	Nationwide	Demonstration Sites <sup>a</sup>	Nationwide
African-American	22.9%	37.2%	17.0%	32.3%
Hispanic	59.2%	17.8%	59.2%	15.0%
Over 30 years old	58.7%	44.5%		
Over 59 years old			17.3%	15.9%
Multiple adults in household	9.4%	7.3%		
Single, no children in household			48.3%	33.8%
Single, with children in household			30.8%	42.5%
Average monthly allotment	\$344	\$360	\$187	\$177

<sup>a</sup> Includes Hudson County and New Mexico.

than one adult in the assistance unit, and food stamp cases in Hudson County and New Mexico were more likely to be single-adult households with no children than food stamp households nationally.

We used the estimated coefficients from the regression models in Exhibit 6-3 and the information in Exhibit 6-4 to project nationwide Reg E claim rates for the AFDC/TANF and food stamp programs. For AFDC/TANF cases, if the observed rates of claim submission by subgroup in the demonstration sites held at the national level, the nationwide overall claim rate would be 1.60 claims per 1,000 case months, or 18 percent *higher* than the demonstration rate of 1.35 claims per 1,000 case months.<sup>6</sup> In contrast, the nationwide claim rate within the Food Stamp Program would be 0.52 claims per 1,000 case months, or 12 percent *lower* than the average rate of 0.58 observed in the demonstration sites.

The projected national AFDC/TANF claim rate is higher than the average demonstration rate for several reasons. First, older recipients, a subgroup over-represented in the demonstration sites, had relatively low claim rates. Second, African-Americans, a subgroup under-

<sup>6</sup> This demonstration rate includes the Reg E experience in Hudson County and all three demonstration counties in New Mexico. It excludes the Citibank caseload, for which data on caseload characteristics could not be obtained.

represented in the demonstration sites, had relatively high claim rates. Both these factors lead to higher projected claim rates at the national level. The finding that claim rates are positively related to monthly allotment, coupled with the slightly lower-than-average AFDC allotments in the demonstration sites, also raises the projected nationwide rate somewhat. By far the biggest factor, however, is the over-representation of Hispanics in the demonstration sites and their lower-than-average claim rates. This factor alone accounts for about two-thirds of the projected 18 percent difference in demonstration and national AFDC/TANF claim rates.

In the demonstration sites' food stamp caseloads, in contrast, Hispanic recipients did not have noticeably lower claim rates than "other" racial and ethnic groups.<sup>7</sup> African-American recipients, however, did have higher claim rates, as did recipients who were single adults with no children in the household. With African-American recipients under-represented in the demonstration sites and single adults without children over-represented, impacts from these two groups partially offset one another in arriving at a projected national food stamp claim rate. When added to the impact from the somewhat higher-than-average monthly food stamp allotments in the demonstration sites, the net effect of these factors is a projected national claim rate for food stamps that is 12 percent lower than the average demonstration rate.

### Role of Unreported Losses

To the extent to which demonstration participants did not report incidents of lost benefits to their respective Help Desks or Reg E units, the claim rates observed during the demonstrations may understate what claim rates would be elsewhere if Reg E were implemented. Exhibit 6-5 therefore presents, for each site, the rate of unreported losses, the rates of claims involving cash assistance and food stamp benefits, and the potential percentage increase in claim rates within each program if *all* losses had been reported.

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<sup>7</sup> The *difference* in claim rates between Hispanic and African-American clients is about the same within the AFDC and food stamp caseloads. The apparent differential effect across programs is due to how these groups' claim rates compare to claim rates within other racial and ethnic groups (the excluded category in the regression models in Exhibit 6-3). That is, within the AFDC program, the African-American claim rate is not significantly different from the rate for other racial and ethnic groups. In the Food Stamp Program, in contrast, it is the Hispanic claim rate that is more similar to that for other racial and ethnic groups. We have no explanation for this differential relationship across programs.

## Exhibit 6-5

**POTENTIAL IMPACT OF UNREPORTED LOSSES ON CLAIM RATES**  
(claims per 1,000 case months)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County	San Juan County	Citibank DPC System	Hudson County	Bernalillo County	Doña Ana County	All Full Reg E Sites
Rate of unreported losses <sup>a</sup>	3.78	2.55	8.38	1.07	5.37	1.34	3.36
Rate of cash assistance claims	0.84	3.13	3.38	0.77	2.13	1.36	1.89
Rate of food stamp claims	0.32	0.60	n/a	0.24	1.12	0.22	0.53
Potential percentage increase in claim rates if all losses reported <sup>b</sup>	326%	68%	248%	106%	165%	85%	139%

<sup>a</sup> The rate of unreported losses is calculated based on information presented in Exhibit 3-7 of Chapter Three. The percent of cases experiencing an unreported loss in a two-month period has been divided in half and converted to a rate per 1,000 case months. This assumes that none of the cases experienced more than one incident of unreported loss in the two-month period.

<sup>b</sup> We do not know whether unreported losses involved cash assistance or food stamp benefits (except in the Citibank DPC system, of course). As a consequence, we cannot distinguish the potential impact on *program-specific* claim rates if more clients reported their perceived losses. We therefore allocated unreported losses across programs in direct proportion to the reported losses, which results in an equal potential percentage increase for each program.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

If everybody in the Reg E demonstration sites with unreported losses had filed Reg E claims, claim rates would have been much higher—from 68 percent to 248 percent higher, as shown in the bottom row of the exhibit; claim rates in Camden County would have been 326 percent higher. Actually, the potential for an increase in Reg E claim rates is even higher than indicated in the exhibit. In the survey that collected data on unreported losses, "reported" losses included those reported to caseworkers as well as to the Help Desk or EBT specialist. Most of



these losses did not result in official Reg E claims.<sup>8</sup> If clients had submitted claims for *all* their perceived losses (i.e., both unreported and "reported") to the Help Desk or EBT specialists, Reg E claim rates could have been nearly ten times higher than observed.

It is, of course, unrealistic to assume that *all* perceived losses would ever become official Reg E claims. Although improved or increased training (described below) and longer experience in a system with Reg E protections would presumably increase the number of Reg E claims filed, there will always be clients who choose not to report or who, after talking with their caseworker, decide that no loss occurred. Indeed, although the *potential* for large claim rate increases surely exists, any actual impact on claim rates may be small; the factors that prevented some clients in the demonstration sites from filing claims may be present elsewhere as well.

### **Role of Improved Training**

Of the Reg E claims actually filed, nearly 60 percent involved unauthorized card usage or system or procedural error. As described below, both sources of loss could probably be reduced through improved training procedures. By itself, this effect would reduce claim rates. Improved training, however, could also increase claim rates by encouraging reporting of losses when they occur. The likely net effect is not known.

Except in Texas (where most system errors were due to ATM network problems), a majority of the system or procedural error claims filed during the demonstrations were due to "double debits" at stores. Double debits occur when an EBT customer is accidentally charged twice for the same purchase, often because of cashier uncertainty over what to do when a system or equipment problem affects normal transaction processing. The number of double debits could probably be reduced with improved store training of cashiers.

Claim rates for unauthorized card usage could be reduced if clients kept their cards and PIN numbers better protected. Inasmuch as card and PIN security were thoroughly covered

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<sup>8</sup> To get a sense of the magnitude of "reported" claims that did not result in official Reg E claims, about 1,400 respondents to the survey said they had reported all losses. Although this number is only a bit larger than the 1,186 Reg E claims actually filed in New Jersey and New Mexico, the survey was administered to only about 20 percent of the aggregate caseload across the five counties. When the survey's sampling procedures are taken into account, the estimated number of "reported" losses is about 7,000, which is six times greater than the number of Reg E claims filed.

during EBT training in each site, however, it is unclear whether additional attention would lead to lower claim rates.

We have focused so far on how improved training might reduce claim rates. It is entirely possible that additional training could increase claim rates instead. With better information, some of the recipients who did *not* report benefit loss during the demonstration might have done so. The magnitude of the possible increase has already been discussed.<sup>9</sup>

### **Role of Site-Specific Effects**

Even with an understanding of how caseload composition can affect claim rates, we have not been able to explain why claim rates varied so greatly across the demonstration sites. Unfortunately, we have no irrefutable explanation as to why the sites' claim rates varied as they did. No single factor explains the results. Looking at those sites with particularly high or low claim rates, however, does offer some insights into site-specific factors that affected demonstration claim rates.

**Citibank DPC System.** With its rate of 3.38 claims per 1,000 case months, Citibank's DPC system experienced the highest rate of cash assistance claims of all the demonstration sites. This high rate is due to high claim rates for all three categories of loss: non-receipt of funds, system or procedural error, and unauthorized card usage.

We noted in Chapter Three that ATM network problems on just two days of Citibank's twelve-month demonstration increased claims of non-receipt of benefits. Even without these specific claims of non-receipt, however, Citibank's overall claim rate would still be higher than any other site. Furthermore, given a high rate of approval for these claims (77 percent), it appears that at least part of the explanation for Citibank's high claim rate is reliability problems with the ATM networks serving its Texas customers. This also helps explain the DPC system's high rate of claims of system error (which included instances of errors in ATM transaction records).

The DPC system's high claim rate for unauthorized card usage (0.95) was matched only by AFDC clients in Bernalillo County. We can only speculate as to the reason or reasons for

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<sup>9</sup> Although not an effect on claim *rates*, improved training could also increase the percentage of claims that get approved by reducing the number of claims denied due to missing documentation.

this high rate. It may be that—as a group—the elderly and disabled participants receiving pension or SSI benefits through the DPC system were more vulnerable to card theft or card misuse than AFDC and food stamp clients elsewhere. Based on responses to a client survey, however, we do know that the high rate is not due to DPC clients being more likely to report instances of loss when they occurred than clients elsewhere (Exhibit 3-9).

**San Juan County.** Of the four Reg E counties serving AFDC and food stamp clients, San Juan County had the highest rate of cash assistance claims and the second highest rate of food stamp claims. Referring back to Exhibit 6-2, we see that San Juan County's high cash assistance claim rate is due to claims of non-receipt of benefits (ATM misdisbursements), and its high rate of food stamp claims is due to claims involving system or procedural error. With regard to this latter result, we already noted in Chapter Three that San Juan County recipients experienced an unusually high number of double debits and other problems at POS terminals. New Mexico's EBT system includes POS terminals deployed by third-party vendors, and there have been reliability problems with these vendors. It appears that one large store in San Juan County was particularly prone to these problems, and that this contributed to the high claim rate there.

As for the high rate of ATM misdisbursements, fully one-quarter of all claims of ATM misdisbursement in the county occurred in one month, and this percentage is higher than in either Bernalillo County or Doña Ana County. Eliminating this one month from the analysis would reduce the county's overall cash assistance claim rate from 3.13 to 2.67—a 15 percent reduction, but still a higher claim rate than in the other New Jersey and New Mexico sites.

The high rate of ATM misdisbursement claims could be due to clients mistakenly believing that misdisbursements have occurred. If so, then claim denial rates in San Juan County should be high. A reference back to Exhibit 4-2 in Chapter Four shows that denial rates were relatively high in San Juan County (35 percent), but not so high as to explain fully why San Juan County's claim rate is so much higher than elsewhere. Alternatively, it could be that the San Juan County claim rates are high because recipients there who suffer losses are more likely to report them than clients elsewhere. As shown in Exhibit 3-9, however, San Juan County recipients were actually *less* likely to report losses than recipients in any other site.

**Hudson County.** Turning to the other end of the spectrum, Hudson County had the lowest rate of cash assistance claims, and its food stamp claim rate also was quite low. The county's claim rates were unusually low within each category of claim.

Some site officials have argued that the county's claim rate is low because the county has a tradition of thoroughly investigating all instances of suspected fraud, and that this may have had a deterrent effect on potential Reg E fraud. This explanation is plausible, but other factors must be at work as well. For instance, there were very few claims of ATM misdispense in either Hudson County or Camden County; apparently, reliable ATM networks in New Jersey helped keep claim rates low. It is also possible that clients in Hudson County were just more careful with their EBT cards than clients elsewhere, due either to a more successful training effort or other unknown factors.

### **6.3 PROJECTIONS OF LIABILITY**

A state or county's liability for benefit replacement will be a function of many factors: the number, type, and dollar amount of benefit losses occurring; the probability that losses will be reported; the likelihood that claims of each type will be approved; and, if provisional credits are granted, the likelihood of these claims being denied and of successful recovery through recoupment efforts.

We have insufficient information to enable us to project claim rates by type of claim or dollar amount. From the modeling presented earlier in this chapter, however, we projected overall AFDC/TANF and food stamp claim rates at the national level. The projected AFDC/TANF claim rate of 1.60 claims per 1,000 case months was 18 percent higher than the overall demonstration rate, and the projected food stamp claim rate of 0.52 was 12 percent lower than the corresponding demonstration rate.

If the other factors affecting liability rates (e.g., mix of claim types, approval rates, granting of provisional credits, recovery of provisional credits) remained the same nationwide as in the demonstration sites, then projected liability for replaced benefits would vary directly

with claim rates. Projected AFDC/TANF liability across the 50 states would then be \$1.8 million annually, and food stamp liability would be \$722,000 annually.<sup>10</sup>

What if claim rates increased because clients began reporting previously unreported losses? This factor was not considered in the modeling effort. Any resulting impact on financial liability, however, should be minimal. It seems likely that, in this situation, rates of claim denial and claim withdrawal would increase, which would hold down potential increases in liability. This hypothesis is based on an assumption that a higher-than-average proportion of unreported losses during the demonstrations did not represent actual losses, and that this helps explain why they were not filed in the first place.

Whether additional claims were approved, denied, or withdrawn, however, they would certainly increase the administrative cost of processing and investigating claims of lost benefits, as discussed in the next section.

#### 6.4 PROJECTIONS OF ADMINISTRATIVE COSTS

This section takes several approaches to projecting future administrative costs. First, we project what Reg E costs might have become in the demonstration sites had Congress not passed legislation exempting most EBT systems from Reg E protections. Second, we investigate how Reg E administrative costs might vary in response to a change in claim rates. Finally, we provide estimates of the annual nationwide cost to the food stamp and cash assistance programs of operating state or county EBT systems under Reg E.

##### Changes in Reg E Staffing or Operating Procedures

Demonstration officials in each site were asked what changes in Reg E procedures or staffing they would make if their EBT systems were to continue to operate under Reg E protections. As a first step in thinking about future administrative costs under Reg E protections, therefore, we begin by projecting what the costs in the demonstration sites might have become had Reg E become mandatory. Exhibit 6-6 compares measured administrative

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<sup>10</sup> The AFDC and food stamp liability projections are 18 percent higher and 12 percent lower

## Exhibit 6-6

**ADMINISTRATIVE COSTS, DEMONSTRATION PERIOD AND PROJECTED**  
(dollars per case month)

Level of Protection	Responsibility Standard	Full Reg E				
Site	San Juan County	Citibank DPC System	Hudson County	Bernalillo County	Doña Ana County	All Full Reg E Sites
<i>Cash Assistance Benefits</i>						
Demonstration period	\$0.587	\$0.330	\$0.999	\$0.733	\$0.478	\$0.691
Projected <sup>a</sup>	\$0.305	\$0.330	\$0.262	\$0.417	\$0.307	\$0.319
Percentage change	-48%	0%	-74%	-43%	-36%	-54%
<i>Food Stamp Benefits</i>						
Demonstration period	\$0.101	n/a	\$0.328	\$0.426	\$0.184	\$0.344
Projected <sup>a</sup>	\$0.059		\$0.164	\$0.263	\$0.161	\$0.203
Percentage change	-42%		-50%	-38%	-13%	-41%

<sup>a</sup> Projected costs in New Mexico assume the Reg E project director and Reg E coordinator are replaced by a full-time staff member at the Help Desk. Projected costs in Hudson County assume that investigators' time spent waiting for clients to arrive can be spent productively on non-Reg E activities.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

costs per case month during the demonstrations to projected costs. The projections are discussed below.

**Citibank DPC System.** We have no basis for projecting a change in administrative costs for the DPC system. Although Citibank is considering purchase of special software designed to facilitate tracking of Reg E claims,<sup>11</sup> the impact of such a purchase on administrative costs is unknown. Management software is often expected to increase productivity, which would lower unit costs. Part of Citibank's reason for purchasing this software, however, would be to improve service levels and management oversight, and these functions can increase unit

<sup>11</sup> Recall that Citibank was the only Reg E demonstration site not to use a PC-based tracking system during the demonstration.

costs. Given this uncertainty over the likely net effect of a software purchase (and the recognition that all of Citibank's administrative costs were largely variable with respect to the number of claims submitted), we expect that Citibank's average administrative cost per case month would not change much under Reg E unless there was a change in claim submission rates.<sup>12</sup>

**New Mexico.** New Mexico's EBT project director said that, if Reg E were to continue, he would seek to integrate Reg E claim processing and investigations with regular Help Desk operations. In so doing, he would eliminate the positions of the Reg E project manager and Reg E coordinator; these positions would be replaced by a full-time Help Desk position. Reducing the level of resources from two nearly full-time staff to one full-time position would be possible, in part because New Mexico would retire the PC-based claim tracking system used during the demonstration (which required a considerable amount of time for data entry). That system would be replaced by the existing EBT problem log tracking system.<sup>13</sup>

The above staffing change would reduce Reg E administrative costs in New Mexico by a substantial amount. As shown in Exhibit 6-6, projected costs in the three New Mexico counties are 13 to 48 percent lower than demonstration-period costs, depending on county and program.<sup>14</sup> Across all three counties, administrative costs associated with processing claims of lost AFDC benefits decline by an average of 42 percent, whereas costs associated with food stamp claims decline by an average of 35 percent.

**Hudson County.** Program administrators in New Jersey and Hudson County said that, if Reg E were to continue, the county would not change either Reg E procedures or staffing levels. Given Hudson County's use of Reg E-assigned investigators, this means that the county's

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<sup>12</sup> This finding is not entirely unexpected. Citibank's DPC system has been operating under Reg E since its inception in 1992, so the bank has had ample time to identify and implement efficient operating procedures.

<sup>13</sup> The PC-based tracking systems in both New Mexico and Hudson County (and the job ticket at Citibank) included data elements required for the evaluation of the Reg E demonstrations. In a non-demonstration environment, less time would be needed to enter and track only that information needed for Reg E administration.

<sup>14</sup> The percentage cost reductions are not identical across the three New Mexico counties because the original Reg E investigation costs did not represent a constant proportion of total costs across the three counties. This variation in cost proportion, in turn, is due to the different mixes of claim types filed in the three sites.

average Reg E administrative cost per case month would remain about the same even if claim submission rates changed.<sup>15</sup>

It is difficult to imagine, however, that Hudson County would be able to sustain such Reg E staffing levels in the long run. Hudson County generally had the highest average administrative costs during the demonstration, largely due to its practice of having investigators wait for claimants to come to the office to speak to the investigators and fill out an affidavit of loss. If this waiting time could be productively spent on non-Reg E tasks, then administrative costs associated with Reg E activities would fall dramatically. In Chapter Five we noted that

TABLE 6-1. Projected Administrative Costs per Case Month by Program, 1993-94

claims, and from \$1,317 to about \$660 for food stamp claims with this reduced staffing. As shown in Exhibit 6-6, per-case-month costs would fall to \$0.262 and \$0.164 for AFDC and food



components in the demonstration sites were largely variable with respect to the number of claims submitted; the variable cost components were:

- initial contact activities in all sites;
- claim investigation activities in Camden County, at Citibank, and in New Mexico;
- ATM research activities in all sites; and
- post-claim activities in all sites.

Claim investigation costs in Hudson County, in contrast, were largely fixed due to the assignment of a set number of staff to Reg E operations.

Caseworker time is a bit more difficult to categorize as fixed or variable, and probably has both fixed and variable elements. Because caseworkers helped many more clients than just those who submitted claims during the demonstration, claim rates could easily increase without any corresponding change in caseworker effort. On the other hand, if claim rates increased due to some underlying change in the rate of actual losses, then more recipients would presumably be contacting their caseworkers, and caseworker time and cost would be variable with respect to claim rates.

If caseworker costs are treated as variable costs, then all cost components in each site except Hudson County are variable with respect to claim rate. Thus, an 18 percent increase in claim rate (as projected nationally for AFDC/TANF claims) would lead to an 18 percent increase in administrative costs per case month. In Hudson County, an 18 percent increase in the claim rate would lead to just a 3.8 percent increase in administrative costs per case month for AFDC/TANF claims and an 8.2 percent increase in costs related to food stamp claims. There, costs are not so responsive to the claim rate because investigation costs are fixed with respect to the number of claims filed. Finally, if caseworker costs are considered as fixed costs rather than variable, then administrative costs in both Hudson and Camden County are fairly unresponsive to a change in claim rates. An 18 percent increase in claim rate, for instance, would increase administrative costs by only 1 or 2 percent in these counties, regardless of program.

This examination of the impact of a change in claim rates on administrative costs shows the importance of assumptions regarding caseworker costs, at least in those sites where caseworker costs were significant. This becomes very apparent in the next section.

### Projected Nationwide, Annual Costs

We now project nationwide, annual Reg E administrative costs if all state and county EBT systems offered protections similar to those tested in the Reg E demonstrations. We project these costs using the demonstration sites as separate organizational models, but only after making the staffing changes described earlier. Thus, in New Mexico we assume that Help Desk staff would handle Reg E claim investigation and processing. In Hudson County we assume that investigators would often be performing non-Reg E work when waiting to take affidavits from Reg E claimants. In addition, for each organizational model, we project separate costs for the two assumptions regarding caseworker time—fixed or variable with respect to claim rate.

Four steps were followed in projecting nationwide, annual costs. First, in accordance with the assumption that states would implement the above staffing and procedural changes, we started with the *projected* per-case-month costs displayed in Exhibit 6-6. Second, because the costs in Exhibit 6-6 reflect site-specific claim rates as well as each site's organizational structure for processing and investigating Reg E claims, we adjusted the per-case-month costs to reflect the projected national claim rates of 1.60 and 0.52 for AFDC and food stamps, respectively. (These are the rates developed earlier in the chapter that take into account how caseload composition can affect claim rates.) To illustrate this second step, although the projected food stamp rate of 0.52 rate is 12 percent lower than the average food stamp claim rate across the demonstration sites, it is 54 percent lower than Bernalillo County's actual food stamp claim rate of 1.12. We therefore decreased all variable cost components in Bernalillo County by 54 percent to develop a new projected cost if the New Mexico organizational structure were implemented nationwide.<sup>18</sup>

The third step involved multiplying the claim rate-adjusted unit costs by the national AFDC and food stamp caseloads in February 1997, and then multiplying by 12 to obtain projected annual costs.<sup>19</sup> In the fourth and final step we averaged the projected administrative costs for Bernalillo and Doña Ana Counties. The two demonstration sites represent a single

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<sup>18</sup> Lacking information on average caseworker salaries across the county, we have not tried to adjust for variations in hourly labor costs.

<sup>19</sup> The monthly AFDC and food stamp caseloads were 4.04 million and 9.72 million, respectively.

organizational model, which is distinguished from the San Juan County model in its treatment of losses from unauthorized card usage as reimbursable, if verified.

Exhibit 6-7 presents the projected nationwide, annual Reg E administrative costs. For cash assistance benefits, the projected total annual costs vary between \$6.4 and \$16.6 million when caseworker costs are fixed, and between \$6.4 and \$22.3 million when caseworker costs are variable.<sup>20</sup> The lowest cost models are the Citibank DPC system and the responsibility standard site of San Juan County. San Juan County, of course, did not need to spend many resources investigating claims of unauthorized card usage, and Citibank—with many years of Reg E operating experience—has had the opportunity to increase the efficiency of its operating procedures. Hudson County remains the highest-cost model even after changing staffing patterns there, primarily because—among the Reg E sites—caseworker costs were highest in Hudson County.

Interestingly, if Camden County's AFDC administrative costs per case month are adjusted in the same manner to reflect a claim rate of 1.60, the projected annual cost ranges from \$19.4 to \$28.7 million, depending on one's treatment of caseworker costs. These costs are far higher than the projected Reg E costs for two reasons. First, caseworker costs in Camden County were very high relative to the other sites. Second, although we assumed efficiency improvements in Hudson County and New Mexico when projecting costs, we have not done so for Camden County. To reduce the Camden County model's projected costs to about \$15 million (i.e., within the range of projected Reg E costs), caseworker time spent helping clients with benefit loss problems would need to be reduced by 28 percent.

Turning to projected Reg E administrative costs for the Food Stamp Program, the projected costs vary from \$6.2 to \$21.5 million with the assumption of fixed caseworker costs, and from \$6.0 to \$41.5 million with the assumption of variable costs. Again, the San Juan County model has the lowest costs. Under the assumption of fixed caseworker costs, the projections for the Hudson County and New Mexico models are between \$21-\$22 million. When caseworker costs are allowed to vary in proportion to claim rate, however, the range in

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<sup>20</sup> Whether projected costs with variable caseworker costs are higher or lower than with fixed caseworker costs depends on whether a site's demonstration claim rate was higher or lower than the projected national average. If the demonstration rate was higher than the projected national rate, then total projected costs with variable caseworker time are lower because caseworker time has been reduced to match the projected claim rate.

## Exhibit 6-7

**PROJECTED NATIONWIDE, ANNUAL ADMINISTRATIVE COSTS**  
(millions of dollars)

Level of Protection	Responsibility Standard	Full Reg E		
Organizational Model <sup>a</sup>	San Juan County	Citibank DPC System	Hudson County	New Mexico: Bernalillo and Doña Ana Counties
Cash Assistance Benefits				
Caseworker time fixed	\$6.8	\$6.4 <sup>b</sup>	\$16.6	\$14.8
Caseworker time variable	\$6.4		\$22.3	\$13.5
Food Stamp Benefits				
Caseworker time fixed	\$6.2	n/a	\$21.2	\$21.5
Caseworker time variable	\$6.0		\$41.5	\$23.0

<sup>a</sup> Assumes staffing changes described in text.

<sup>b</sup> There are no caseworkers involved in the DPC system, so the projected cost is not sensitive to the treatment of caseworker time and cost.

n/a Not applicable. Food stamp benefits are not issued through the Citibank DPC system.

projected costs for the Hudson County and New Mexico models increases to \$23-\$41 million. The New Mexico (and San Juan County) projections change little because caseworkers there did not spend much time dealing with problems of lost EBT benefits, whereas in Hudson County caseworkers did spend considerable time handling such problems. Given the uncertainty over whether caseworker time should be fixed or variable, one may simply want to take the average of costs under the two assumptions to yield a single point estimate of projected costs.

Finally, again by way of comparison, Camden County's food stamp administrative costs vary from \$38.7 to \$61.8 million when projected nationally. If caseworker time and costs could be reduced by the 28 percent figure mentioned in connection with AFDC costs, then the projected food stamp cost would be \$28.1 million, which is more in line with the projected Reg E costs.

## **6.5 CONCLUSIONS**

The full financial impacts of implementing Reg E protections arise from three sources:

- replaced benefits that impose a direct liability on the state;
- provisional credits that are not recovered after claims are denied; and
- the cost of administering the protections.

Nearly all of the financial impact of implementing Reg E in the demonstration sites was due to the administrative cost of processing and investigating claims of lost benefits.

The results of this chapter suggest that states could implement one or more Reg E protections without incurring burdensome liability costs. Liability costs arising from replaced benefits and provisional credits would be unlikely to exceed a few pennies per case month unless claim rates were substantially greater than experienced in the demonstration sites. The analyses in this chapter suggest that, although other sites might see somewhat higher claim rates, large increases would be unusual. Based on projected nationwide claim rates, the projected annual liability from replaced benefits and provisional credits is \$1.8 million for the AFDC program and \$722,000 for the Food Stamp Program.

As for the administrative costs that would be incurred with Reg E protections, it should be possible to control these costs somewhat through efficient use of staff. Even with such controls, however, projected annual nationwide costs reach as high as \$15 to \$22 million for cash assistance programs and \$21 to \$41 million for the Food Stamp Program. Federal and state agencies already incur administrative costs in providing existing client protections. Thus, program administrators will have to weigh the likely additional cost of extra client protections against the value of these protections to clients.

## CHAPTER SEVEN

### LESSONS FROM THE REG E DEMONSTRATIONS

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An original intent of the Reg E demonstrations was to provide a learning experience for federal, state, and county agencies as they prepared to operate their EBT systems under the provisions of Reg E. With this Reg E requirement eliminated by Congress, the question is whether any of the demonstration experiences are relevant to EBT operations. The answer is yes, assuming that stakeholders remain interested in determining the best balance between EBT client protections, administrative costs, and system integrity.

There is debate, of course, as to what is the appropriate level of protection to provide clients. Sometimes this debate has focused on client responsibilities, sometimes on perceived fairness. Before turning to a discussion of pertinent demonstration lessons, we identify some of the issues and questions that get raised in this policy debate. These issues and questions help indicate which demonstration experiences are most important.

#### 7.1 POLICY ISSUES

We identify below eight policy issues concerning client protections against benefit loss in EBT systems.

##### *(1) What types of benefit loss should be reimbursable?*

This is perhaps the most hotly-debated issue concerning client protections against benefit loss. The disagreement arises mainly over losses due to unauthorized card usage, which Reg E treats as reimbursable but EBT regulations generally do not.<sup>1</sup> Part of the opposition to reimbursing such losses stems from the view that unauthorized transactions are avoidable if clients are careful about protecting their cards and keeping their PIN codes secret.

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<sup>1</sup> EBT systems delivering direct federal benefits, like Citibank's DPC system, operate under Reg E protections. Losses due to unauthorized card usage, therefore, are reimbursable in these EBT systems. Such losses also are reimbursable in other EBT systems when a food stamp loss occurs *after* the card has been properly reported as lost or stolen.

Apart from losses due to unauthorized card usage, however, there seems to be a consensus that clients should not be punished for EBT losses over which they have little or no control. Thus, the following types of loss—if verified—are usually viewed as reimbursable:

- an underdispense of withdrawn funds at an ATM, which is a machine error;
- theft of benefits by a state, county or vendor employee (through fraudulent manipulation of the EBT database, creation and use of a duplicate EBT card, or any other means);
- system processing or telecommunications error leading to a database error in the client's remaining EBT balance;
- unauthorized use of an EBT card *after* the client has properly reported it as lost or stolen;
- theft of benefits by a store employee (e.g., after seeing a client's PIN during PIN entry and then performing an unauthorized manual transaction against the client's account at a later time); and
- a double debit at a store when the clerk, mistakenly believing that the system has not processed a purchase request, initiates a second transaction for the same amount.

In contrast, there seems to be near universal agreement that benefit programs should not replace losses due to forced EBT transactions or program benefits stolen after being withdrawn from an ATM. These events are typically viewed as police matters.

***(2) How can the incidence and dollar value of losses be minimized?***

Although not really debated or seriously discussed to date, this question raises the issues of which types of benefit loss are avoidable, and what can be done to reduce either their incidence or their dollar value. It also raises the issue of client responsibilities, particularly in regard to card and PIN security. That is, to what extent is it possible to get clients to take better care of their EBT cards and PINs?

***(3) What are the best ways to inform clients about which types of loss should be reported, and how those losses should be reported?***

Two basic approaches have been used to inform EBT clients about how to report benefit loss. EBT clients in state- or county-administered systems are usually told during EBT training

sessions. For its DPC system, Citibank mails a disclosure notice (required by Reg E) to new clients. The question here is whether one approach is more effective than the other.

***(4) What responsibilities should be placed on clients when reporting a loss?***

The demonstration sites differed in their expectations about what clients needed to do when reporting a loss. In Hudson County, for instance, clients were required to have a face-to-face interview with a Reg E investigator and to sign an affidavit of loss. Clients in the other demonstration sites did not have to travel to a welfare or EBT office, but they were required to submit a written explanation of how, when, and where the loss occurred. Furthermore, clients sometimes encountered unexpected obstacles when trying to report a claim or provide requested documentation. As an example, some police stations would not provide a copy of the police report of unauthorized card usage without charging the client a fee.

***(5) What protections, if any, should be given clients while claims are being investigated?***

Even if a claim of benefit loss is verified during investigation and approved, the client who has experienced the loss must cope with the financial difficulties of that loss until benefits are restored. Two ameliorating protections provided under Reg E, but not under regular EBT operating rules, are (1) that investigations be completed within specific time frames, and (2) that provisional credits be granted to clients if a decision on a claim cannot be reached within a short time period (ten business days for losses at an ATM and 20 days for losses at a POS device). The question is whether either of these protections should be available for clients in state- or county-administered EBT systems.

***(6) What are appropriate grounds for denying a claim?***

Reg E requires that claims be evaluated on a case-by-case basis, and that all available evidence be considered when deciding whether to approve or deny a claim. The regulation, however, does not indicate appropriate weights to assign to different factors when evaluating a claim. The potential subjectivity of this approach bothered many demonstration planners, who preferred the objectivity of using a specified set of rules to decide when to approve or deny a claim.

In meetings held prior to the Reg E demonstrations, Federal Reserve Board staff said that claims involving AFDC or food stamp benefits could be denied if clients refused to



cooperate with an investigation. The rationale for this categorical basis for claim denial was that pre-existing program regulations required such cooperation in other (non-Reg E) investigations.

Reg E also stipulates that client negligence (e.g., writing one's PIN on a piece of paper kept with the card) cannot be considered when determining client liability following an unauthorized transaction.<sup>2</sup> By extension, client negligence also cannot be considered as grounds for denying a claim under Reg E. Some investigators clearly had difficulty with this notion during the demonstrations.

***(7) What can be done to minimize administrative costs while providing clients protection against benefit loss?***

Although almost any effort to provide clients additional protection against loss will entail extra costs, this does not mean that no further efforts should be made. Indeed, federal and state agencies already incur costs to provide the EBT protections currently in place. What this principle does mean is that, implicitly or explicitly, the cost of any action under consideration to increase client protections will have to be balanced against the likely benefit to the program and the client population of having that extra protection.

***(8) To what extent should client protections be written into federal regulations?***

As was discussed in Chapter One, the U.S. Department of Agriculture has a set of regulations governing the operation of EBT systems that issue food stamp benefits. These regulations do include some client protections against EBT loss, although they could be more specific. In contrast, there are no analogous regulations pertaining to lost AFDC or TANF benefits in an EBT system. Instead, state agencies and EBT system operators tend to apply the same rules and protections to all programs using the system. The question arises as to whether this practice is sufficient or whether client protections need to be explicitly defined by regulation.

## **7.2 LESSONS LEARNED**

Having discussed some of the policy issues associated with providing client protections against benefit loss, the chapter now identifies the major lessons learned during the Reg E demonstrations.

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<sup>2</sup> Supplement II to Part 205—Official Staff Interpretations, Section 205.6 (Liability of Consumer for Unauthorized Transfers), response to question 6-6.5.

**Lesson 1: Extra client protections need not impose prohibitive costs on system operations.**

The administrative costs of providing clients extra protection against loss were substantial, as documented in Chapter Five. Additional monthly costs on the order of \$0.11 to \$0.63 per case month may simply be too costly for programs to bear. It is quite likely, however, that the administrative cost of extra client protections can be lower than the levels measured in the demonstration sites, as the projected costs in Chapter Six indicate.

Based on the experiences of the Reg E sites, here are several available options for reducing the administrative cost of providing extra client protections against benefit loss:

- ***Insofar as possible, integrate claim handling and investigation procedures with Help Desk activities.*** Help Desk staff can handle a large number of queries about account problems and reports of lost benefits. Integration of claim handling and Help Desk activities enables more rapid and cost-effective responses to workload changes,<sup>3</sup> and customer service representative salaries should be lower than those of the staff in the Hudson County and New Mexico Reg E units.
- ***At the local office level, centralize responsibilities for helping clients with card or account problems.*** It appears that total administrative costs may be lower when, as in New Mexico, a few designated staff in each office are responsible for dealing with EBT problems and questions. The amount of time New Jersey caseworkers spent on problems of benefit loss was surprisingly high and raises questions about efficiency.
- ***Do not reimburse or investigate claims of unauthorized card usage.*** Substantial reductions in investigative costs should be achievable if claims of unauthorized card usage are treated as non-reimbursable (except when experienced after the client has reported a card as lost or stolen). Of course, as was the case in Camden and San Juan Counties, some costs will be incurred as Help Desk staff (or others) collect enough information from the client to determine that the loss is not reimbursable.
- ***Keep claim tracking and management systems simple.*** The claim tracking systems in the Reg E demonstrations were designed to serve two purposes: to provide management information to Reg E staff to help them process submitted claims, and to provide information on the characteristics and outcomes of submitted claims to the evaluation. This dual purpose made the tracking systems more difficult and time-consuming to use. In a non-demonstration setting, simpler and less-costly tracking systems could be used.

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<sup>3</sup> Help Desk managers often add temporary staff at the beginning of each month when benefits are issued and the number of calls from clients with problems or questions peaks.

**Lesson 2: Reimbursing losses due to unauthorized card usage could lead to higher liability costs than experienced in the demonstration sites.**

Liability costs for replaced benefits were low in the Reg E sites, despite the fact that losses resulting from unauthorized card use were reimbursable. Other EBT sites might not experience these same low costs.

The Reg E sites had low benefit replacement costs because they denied most claims of unauthorized card use. Furthermore, most of these claims were denied because clients missed deadlines for submitting documentation, not because evidence could not confirm that a loss had occurred. It is entirely possible, therefore, that benefit replacement costs (as well as administrative costs) could be higher if another site reimbursed losses due to unauthorized card usage but denied fewer claims due to problems with client cooperation. This is not an endorsement for or against reimbursing such losses, but an observation that the experience of the demonstration sites might not be generalizable if another site used a different approach to investigating claims.

**Lesson 3: Many of the losses reported by clients are avoidable.**

The best protection against the financial hardship resulting from benefit loss is to avoid the loss in the first place. Data gathered from the sites' claim tracking systems suggests that many losses are avoidable. For example:

- 48 percent of all claims were for losses resulting from unauthorized card usage. If clients can memorize their PINs and reduce the instances in which they give their card and PIN to somebody else (e.g., a family member) to use, then the frequency of unauthorized card use should diminish.
- 11 percent of all claims were for losses resulting from system or procedural error. An unknown, but probably substantial, number of these errors were double debits at the store. If store clerks better understood when the EBT system had properly processed a transaction, there would be fewer double debits to investigate and correct. Furthermore, reducing double debits might reduce the number of *unrecognized* losses that occur.

One way to reduce the number of "avoidable" losses that occur might be to improve

PIN security would measurably reduce unauthorized card usage is not known. With the elimination of Reg E protections against unauthorized card use, however, this is an area where improvements would be most beneficial to clients.

In response to a question at the end of the claimant survey interview about ways to improve the process of handling claims of benefit loss, several survey respondents went beyond the scope of the question and commented on ways to avoid or reduce loss. As shown below, these comments focused on ATM and system problems:

- make sure money is in the ATM machines;
- ATMs don't work all the time, (they) need to be serviced more often to keep them running;
- fix your computer problems;
- the (magnetic) stripe on the card wears out easily, it needs to be improved;
- people should be told (during training) to be more careful with the machines—check to see if they are working; and
- improve the reliability of the ATMs (to reduce misdispenses and system errors).

To the extent to which incidents of loss can be avoided, the administrative cost of handling and investigating claims of loss will be lowered as well. Offsetting these cost savings would be any extra training costs incurred, as well as costs associated with improving ATM and system performance. Sufficient information is not available to determine whether the net impact would be an increase or decrease in total costs.

**Lesson 4: Clients turn to their caseworkers when problems develop, unless there are very clear and consistent directions to do otherwise.**

One surprising finding from the demonstrations was the extent to which clients in Hudson County brought EBT account problems to the attention of their caseworkers, even though they had been told (in training and by the disclosure notice) that such problems were to be phoned in to the EBT system's Help Desk. New Mexico, in contrast, used EBT specialists in each office to handle all EBT-related problems, including account problems. By using a different organizational structure within the local office, New Mexico has apparently been

successful in shielding its caseworkers from many client queries about EBT. Other states might want to consider the advantages (and possible disadvantages) of such an organizational structure, whether or not they are considering implementing additional client protections against benefit loss.<sup>4</sup>

The Citibank DPC system represents a model in which benefit program staff are completely shielded from issues of EBT system operations and problems. Under contract to the U.S. Treasury, Citibank assumes all responsibility for issuing benefits, processing transactions, and resolving problems.

**Lesson 5: Clients reporting benefit loss often failed to submit written documentation of the loss.**

As reported in Chapter Four, the most common reason cited for denying a claim was that the claimant failed to provide requested information. When responding to survey questions about why they did not submit documentation, claimants gave a number of different reasons (including not having time to do so, not wanting to get the police involved, and thinking that the benefits would not be replaced anyway).<sup>5</sup> Over one-half of the respondents, however, said that they did not realize that they needed to provide a police report or written documentation. This suggests that such requirements need to be communicated better, either to clients during general EBT training or to claimants when they first report a loss.

**Lesson 6: The disclosure notice was not viewed as a successful means of informing clients about their rights and responsibilities in an EBT system.**

The program administrators and client advocates who participated in the demonstrations' planning process generally agree that the sites' disclosure notices were not effective in communicating to clients their rights and responsibilities in an EBT system. The disclosure notices, copies of which are included in Appendices A-D, were long, not formatted in an attractive and easily readable manner, and perhaps too complicated. It is not likely that very

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<sup>4</sup> The Citibank DPC system operates without any connection to benefit program staff.

<sup>5</sup> In addition, it is possible that some of these claims were not legitimate, and that the clients essentially "withdrew" the claim when asked to provide documentation.

many clients even fully read the disclosure notices, although we have no empirical evidence one way or the other.

Another opportunity for informing clients about their EBT rights and responsibilities is during EBT training, which may or may not include supplementary written materials. Given evidence presented in previous chapters that some clients are confused about when or how to report incidents of benefit loss, it might be worthwhile to focus more attention during training on these issues. The experience of the demonstrations suggests that training efforts should:

- tell clients whom to call when they have a problem with their EBT card or account;
- not try to explain which types of loss are or are not reimbursable (better and easier to just say, "call if you think a problem exists");
- reinforce the need to protect the card and PIN;
- explain the procedures to follow to select a new PIN (and why and when clients might want to do so); and
- describe what information needs to be provided to investigators (and how) when reporting a loss.

If written materials are provided during training or mailed out separately, the above information should be included in the printed materials as well. To be successful (i.e., read and understood), however, any written materials need to be short, simply written, and professionally designed and printed.

**Lesson 7: Even when benefits are replaced, their temporary unavailability is a burden for many clients.**

According to respondents to the claimant survey, 56 percent of clients whose Reg E claims were *approved* said that they had a "moderate" or "big" problem getting by while without these lost benefits, even though the reimbursed funds (or a provisional credit) were received within 10 to 20 days of reporting the ATM or POS loss, respectively. In addition, a number of respondents mentioned a need for quicker reimbursement when asked about suggestions for improving claim handling procedures.

In Camden County, which did not provide provisional credits, claimants often had to wait 30 to 45 days to receive reimbursement for ATM misdisburses.<sup>6</sup> Thus, in the absence of Reg E protections, clients with reimbursable losses are probably experiencing greater financial difficulties waiting for reimbursement than did the Reg E clients included in the survey.<sup>7</sup>

**Lesson 8: When regulations have complicated provisions, it is easy for misinterpretations to occur.**

There were several instances during the demonstrations when state or county officials interpreted the provisions of Reg E differently than envisioned. One example is whether it is permissible to consider client negligence (e.g., writing one's PIN in a non-secure spot) when deciding whether to approve or deny a claim. Another is whether \$50 could be deducted from a provisional credit when the loss was due to some factor other than unauthorized card use.

These examples serve as a reminder that it is easy to misinterpret the intent of a complicated regulation. Therefore, such regulatory language should be as clear and distinct as possible. Also, once implemented, administrators should not assume that compliance is universal, so some means of monitoring compliance is necessary.

There is, of course, nothing unique here about regulations protecting clients against benefit loss. The statements above are true for all program regulations.

**Lesson 9: The Reg E processing deadlines generally were not a problem for Reg E staff.**

Reg E requires that, if claims of loss at an ATM cannot be fully investigated within ten days of the client's report, then a provisional credit for the loss, minus any client liability, must be granted. For losses at a POS device, the timeframe is 20 days.

The demonstrations showed that, in most cases, claims could be decided within the specified timeframes. Although provisional credits were granted in about 30 percent of all cash assistance claims, only about 4 percent of food stamp claims required a provisional credit. Furthermore, for the cash assistance claims, the processing deadline was a problem mainly for

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<sup>6</sup> Under standard procedures for investigating claims of ATM misdisbense, it often takes the ATM owner more than a month to verify whether or not a misdisbense occurred.

<sup>7</sup> The claimant survey, which was designed primarily to learn about clients reactions to how their *Reg E claims* were handled, was not administered in Camden County.

claims of misdispense at ATMs not owned or operated by the EBT vendor. In these situations Reg E staff often had to provide a provisional credit while they waited for the ATM owner to investigate the claim.

#### **Lesson 10: Clients have good ideas too.**

At the end of each claimant survey interview, we asked whether the respondent had any suggestions that would help improve the process of handling claims of lost benefits. Several responses have already been discussed; we conclude this chapter by listing a number of other suggestions offered by those clients who were most impacted by the Reg E demonstrations—the claimants themselves. Their suggestions cover areas from system design to customer service.

##### **Suggestions related to *EBT system design*:**

- All the banks should use the same machines with the same information provided.
- Have more ATM machines, and make them simple to use.

##### **Suggestions related to *claim filing procedures*:**

- List the exact steps needed to file a claim; number to call was on back of lost card.
- Quit telling so many different stories; there was confusion in the instructions.

##### **Suggestions related to *customer service*:**

- Eliminate transaction fees at ATMs.
- Issue a monthly statement.
- Provide more staff training on how to handle stolen cards and how to replace them.
- EBT people could smile a little more and not think that everyone is out to get them.
- Customer service representatives should be more helpful and understanding; they should be more polite.
- Reg E staff should follow up and let people know what happened to their claims.

##### ***Other* suggestions and comments:**

- Check the signature on the card (to avoid unauthorized card usage);
- Investigate more fully claims of unauthorized use; people who steal should be prosecuted.
- Check the video tape at the ATM to see that a person didn't receive their money.



- PIN numbers can be easily seen by people looking over your shoulder.

Although anecdotal and often voiced by only one or a few respondents, taken together these comments provide an additional lesson from the Reg E demonstrations. EBT systems can be intimidating to clients, and when problems occur, it is not always easy for clients to understand how to respond. Whether through improved training, a better disclosure notice, or some other means, the need exists for better client understanding of procedures for handling claims of benefit loss in EBT systems.

## **APPENDICES**

## **APPENDIX A**

### **PROCEDURES FOR NEW JERSEY'S REGULATION E DEMONSTRATION**

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This appendix describes the procedures that New Jersey implemented for its Reg E demonstration in Hudson County.

At the state level, the key players in the New Jersey demonstration were the acting deputy director of the Division of Family Development, Department of Human Services (David Heins) and his administrative analyst (Bonnie Mecanko). Within the Hudson County Division of Welfare, the key players were the chief investigator (Robert Knapp) and his two senior investigators (Colleen Pinelli and Celeste Demby). A large number of investigators and other county staff were also involved in the demonstration. Finally, customer service representatives (CSRs) at New Jersey's EBT vendor, Deluxe Data Systems, handled all client reports of lost benefits. Other vendor staff investigated claims of ATM misdisburse.

#### **Filing a Reg E Claim**

The "Hudson County Families First Disclosure" notice (included at the end of this appendix) instructed clients to call the Customer Service Help Desk, at a toll-free number, to report lost or stolen cards or stolen benefits. The Help Desk, operated by Deluxe Data Systems (Deluxe), was staffed 24 hours per day, seven days per week. The disclosure notice also indicated that clients would be required to submit a written statement explaining the loss within ten business days.

Clients from Hudson County were given a claim number when they reported a loss of benefits to the Help Desk. This claim number was used to track the claim during processing. To ensure that a unique tracking number was assigned to each and every claim, all reports of lost benefits and lost or stolen cards had to be filed through a call to the Help Desk. If clients attempted to report a claim at the county office, they were instructed to go to one of the office pay phones to call the Help Desk. Caseworkers were also instructed to tell clients to call the Help Desk, although caseworkers sometimes mistakenly directed clients to the Hudson County Investigative Unit (HCIU) instead.

When New Jersey clients<sup>1</sup> called the Customer Service Help Desk, the CSR inquired from which county they were calling. If from Hudson County and the call involved a claimed loss of benefits, the CSR completed the "Hudson Reg E Claims Report" (see copy at end of this appendix). If the claim involved an ATM misdisbursement that Deluxe would investigate, the CSR also filled out a second form used by the Deluxe investigator. At the end of the call, the CSR gave the client a claim number and told the client to report to the HCIU right away (i.e., "immediately," or "first thing in the morning" if the call came in late in the day).

The Help Desk faxed the claim report (with noted claim number) to both the Investigative Unit in Hudson County and to the state's administrative analyst for the Reg E demonstration. County staff said that generally the reports were faxed on time, within 30 minutes. The Deluxe staff, however, indicated that the timeframe sometimes became problematic due to a lack of available fax machines.

For situations in which a client reported a lost Families First card<sup>2</sup> (and no loss of benefits occurred), the Deluxe Help Desk advised the client to go to the Hudson County Card Issuance Unit for card replacement. If the card was lost and a loss of benefits occurred, or if the card was stolen, the CSR advised the client to report to the County's Investigative Unit.<sup>3</sup>

Deluxe staff transmitted the claims reports to a fax machine in the Hudson County director's office. The director's secretary took the form to the chief investigator's office. A folder was then prepared for the claim and given to one of the senior investigators. The senior investigator either worked the claim herself or assigned it to one of the other investigators, based on availability and work load. They would then wait for the client to arrive at the HCIU.

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<sup>1</sup> The Deluxe Help Desk supports EBT systems implemented in other states as well.

<sup>2</sup> New Jersey's EBT system is called "Families First."

<sup>3</sup> Before issuing a new card, the Card Issuance Unit staff used a system administrative terminal to check the reason for card replacement (i.e., a lost, stolen, or damaged card). If the system indicated that the card was lost but no benefits were missing, the client was issued a new card. If it indicated that a loss occurred (i.e., a Reg E claim), or that the card was stolen, the client was required to first see an investigator at the HCIU to obtain a referral form for the Card Issuance Unit.

### **Followup Contact with Claimant**

One of the investigators was always available during regular business hours to meet with a claimant, even during periods of low claim activity. When the client arrived at the HCIU, he or she was directed to the investigator assigned to the case (or his/her back-up). Three or four main events occurred during this meeting:

- The investigator asked questions of the claimant (both for an affidavit of what happened and the investigation);
- The investigator filled out the affidavit, which the client signed;
- The client was asked to write down what happened in his/her own words; and
- The client was told what further documentation to provide (examples below), and a time was scheduled for the material to be brought in to the HCIU. The extra material could include:
  - ▶ a police report (for all claims involving unauthorized transactions);
  - ▶ receipts from transactions in question; or
  - ▶ names, addresses, and telephone numbers of any other people involved.

The claimant was required to sign a form indicating the items he or she was supposed to provide, and was also told that the claim would be denied if the requested information was not provided within five working days.<sup>4</sup> In instances of a stolen card with missing benefits, the investigator advised the claimant that he or she must be willing to prosecute the individual who stole the card, even if that person was a family member or friend. According to the chief investigator, many claimants did not follow through with the claim after this point.

In a situation in which a client who claimed an ATM misdispense never appeared at HCIU, Deluxe continued its investigation, and the client received his or her provisional credit within ten days if the Deluxe investigation was not complete. A Reg E investigator, however, did attempt to locate the claimant.

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<sup>4</sup> Senior investigators pointed out that if a client missed the original deadline for submitting additional information, but did respond within the 45-day investigation period (for a claim involving an ATM) or the 90-day investigation period (for a POS claim), the HCIU was obligated to follow through with the investigation. It is unclear, however, whether clients realized the investigation would continue in this situation.

### **Further Processing and Investigation**

Further processing and investigation activities in Hudson County depended on the type of claim that was filed.

In the case of ATM misdisburses, Deluxe's investigation began with a request to the ATM owner to check the ATM's records for the particular transaction in dispute. If the ATM transaction was routed through a network (such as MAC), the process could take up to 45 days, meaning a provisional credit would be issued as Deluxe waited for a response.

When the ATM owner's response was received, Deluxe completed a claim resolution form and faxed one copy of the form to Hudson County and one to the state. If the ATM owner verified the loss, the owner sent a credit for the lost benefits to Deluxe's bank account; Deluxe then sent an adjusting credit to Hudson County's bank account for the amount of the claim, and Hudson County credited the client's EBT account. If the claim was denied and a provisional credit had been issued, the County initiated the recoupment process.

For those investigations handled by the County, the usual first step (after the initial meeting with the claimant) was to print out the account's recent transaction history. The investigator then began field interviews with any of the following: store owners/managers/clerks, family members or other individuals living with the claimant, or other individuals referenced in the claim. When the claimant brought the requested materials to the Investigative Unit, the investigator would use the opportunity to ask additional questions, if necessary.

At the end of each day, the investigators left the files they worked that day on one of the senior investigators' desks. The senior investigators were responsible for entering data into the PC-based tracking system. They often waited many weeks or longer, however, before entering a batch of information into the system.

### **Notifying Claimant of Decision**

Once a claim investigation was complete and information was entered into the PC-based tracking system, the investigator notified the client of the unit's action on the claim (i.e., either approval or denial) by letter. Denial letters usually indicated the reason for denial. The client's right to request a fair hearing was also noted in denial letters.

### **Providing Provisional Credits**

In the planning stages of the demonstration, New Jersey assumed that Deluxe would be responsible for issuing provisional credits. Due to liability issues, however, Deluxe refused to provide the credits, and thus the responsibility for issuing provisional credits shifted to the County. Deluxe reimbursed the County whenever a claim of ATM misdispense was determined to be valid and the ATM owner paid Deluxe.

In order for a provisional credit to be granted in Hudson County, the chief investigator and the claim investigator completed and signed a special form. The form was sent to the County's chief fiscal officer, with a copy to the appropriate program director(s). There were only three or four people within the welfare office who had authority to issue benefits on-line through a benefit authorization terminal. One of these people would input the provisional credit, using a special code indicating a Reg E-related credit.

### **Recovering a Provisional Credit**

If a provisional credit was granted and the Reg E claim was subsequently denied, the HCIU initiated recoupment procedures by sending a request form to the department's chief fiscal officer. The fiscal officer kept a hand ledger on all actions taken, and the fiscal unit tracked actual recovery of funds. Information indicating that recoupment had been initiated and the amount to be recovered was entered on the Reg E tracking system; information on dollars actually recovered, however, was not entered on the tracking system.

Up to 10 percent of an AFDC grant could be recouped each month. For food stamps, the maximum of \$10 or 10 percent of the monthly allotment could be recouped each month. If a client exited a program before all funds were recouped, the County could use other means to recover the funds (e.g., ask the former client to repay, go after New Jersey tax refunds).

### **Handling Client Appeals**

In Hudson County all adverse final decisions (i.e., claim denials) were subject to fair hearing processes. Clients had to request the fair hearing within ten days of the mailing of the claim's denial letter. There were no appeals to decisions regarding Reg E claims in Hudson County during the demonstration.

### **Corrective Action Procedures**

New Jersey's Reg E implementation plan included several corrective actions designed to reduce potential losses by placing restrictions on EBT use in specified situations. For instance, if a client filed more than one claim involving an ATM transaction in 12 months, and if that claim indicated that the client was having difficulty in transacting benefits, then the client's ability to access cash benefits could be limited to POS devices (which are attended by store personnel who could, if needed, provide assistance to the client). Similarly, if a claim investigation indicated that a client was having difficulty accessing benefits via EBT, and the situation did not appear likely to improve, the County could appoint an authorized representative for the client. The authorized representative would then be responsible for accessing benefits. Finally, if benefit transaction difficulties placed the client's housing at risk, the County could establish a restrictive payment for purposes of securing housing only.

Hudson County staff did not find it necessary to use any of these corrective action procedures during the demonstration period. As in all sites, however, the distribution of the disclosure notice and a focus during training on protecting one's EBT card and PIN can be viewed as "preemptive" corrective strategies to reduce benefit loss.

### **Tracking Reg E Claims**

The Hudson County Investigative Unit tracked claims primarily through a paper filing system they developed, and they used the computerized tracking system developed for the demonstration as back-up. Files were organized by type of claim, and they were checked daily to ensure that all time-sensitive deadlines, such as issuing a provisional credit, were met. The investigative unit did not use the tracking system for management reports. State staff, however, did use the tracking system to generate reports.



**HUDSON COUNTY**  
**FAMILIES FIRST DISCLOSURE**

**INTRODUCTION**

You live in an area that no longer delivers paper welfare checks or food stamp coupons. Instead, your monthly benefits are available electronically using a special plastic card that looks like a regular bank or credit card, and a secret code number called a PIN (Personal Identification Number). Plans are underway to begin using this type of system for delivering government benefits throughout the country. The general name for the type of benefit delivery system your area is using is Families First.

Using your card and PIN allows you to pay for food purchases in grocery stores without having to use food stamp coupons or pay cash, as long as you have funds remaining in your food stamp account. You can also use your card to pay for purchases or make withdrawals from your AFDC allowance using Point of Sale (POS) devices in certain stores or Automated Teller Machines (ATMs) operated by banks.

Additionally, your county has been chosen as a site to test out a system that provides you with some important new rights that were not available before.

This Families First Disclosure will:

- Provide you with information which explains these rights to you;
- Discuss your responsibility to report problems or errors; and
- Discuss lost benefits and how much certain kinds of losses might cost you.

In addition to this disclosure, you will receive separate information which explains about how to use ATMs and POS terminals and will provide you with safety and security measures when using the FAMILIES FIRST system. All the information you receive is important. You should take the necessary time to read it and keep it in a safe place so that you can refer back to it later if a problem comes up and you don't remember what your are supposed to do.

**The rights and responsibilities outlined in this Disclosure are effective in Hudson County March 1, 1995 through February 29, 1996.**

## **DISCLOSURE CONTENTS**

This disclosure contains important information about the care, use and protection of your FAMILIES FIRST card. In particular, this disclosure discusses:

### **PROTECTING YOUR FAMILIES FIRST CARD AND PIN:**

- Caring of your FAMILIES FIRST card
- Keep your PIN a secret
- Giving your card and PIN to others
- Withdrawing your permission to use your card and PIN
- Reporting a lost or stolen card immediately

### **YOUR RIGHTS IN THE FAMILIES FIRST SYSTEM:**

- Choosing your own PIN
- Finding out your account balance
- Requesting a written transaction history
- obtaining benefits without being charged a fee
- Using the card without being charged/certain cash-back limitations
- Using the card throughout the month
- Obtaining a replacement card or PIN
- Moving out of an FAMILIES FIRST project area

### **REPORTING A LOST OR STOLEN CARD OR PIN:**

- When you card is lost or stolen
- Reporting by phone
- Reporting in writing
- Getting a claim number
- Filing a police report, assisting with prosecution

### **REPORTING OTHER KINDS OF ERRORS**

- Problems with your FAMILIES FIRST account
- Reporting errors by phone
- Reporting errors in writing

### **ACTIONS WE WILL TAKE WHEN YOU REPORT A LOSS OR FILE A CLAIM:**

- Errors which are our fault
- ATM errors/Temporary Credit
- POS errors/Temporary Credit
- Letting you know if your claim is denied
- Letting you know if your claim is approved
- Getting additional information about our procedures

### **WHEN WE MIGHT DISCLOSE INFORMATION ABOUT YOUR FAMILIES FIRST ACCOUNT:**

- Circumstances where we may provide information about your account to others

Throughout this disclosure we will often refer to "business day". When you see this, it means Monday through Friday between 8:30 AM and 4:30 PM but does not include State and County holidays.

## **PROTECTING YOUR FAMILIES FIRST CARD AND PIN**

### **CARE OF YOUR FAMILIES FIRST CARD:**

Always keep your card in a safe place. Do not let it come into contact with other bank or credit cards, electronic equipment like TV's or microwaves, or direct sunlight. Any of these things can damage the black magnetic strip on the back of the card so that it will no longer be "readable" by the POS or ATM device. If the magnetic strip does become damaged, you will need to request a new card.

### **KEEP YOUR PIN A SECRET:**

Your FAMILIES FIRST card will only work with the personal identification number (PIN) that you chose. Your PIN is your own secret code and helps to prevent anyone else from getting your benefits, even if your FAMILIES FIRST card is lost or stolen. Do not give your PIN to anyone, including your caseworker, a store employee, a bank employee, anyone you call to report a problem with your FAMILIES FIRST account, or a family member (unless you want that person to be able to spend your benefits).

Try to memorize your PIN so that you won't need to write it down anywhere. If you do have to write it down, keep your card and PIN in separate locations. Do not write your PIN on the FAMILIES FIRST card, or on the protective sleeve you keep the card in, or on anything else you keep near your card.

### **GIVING YOUR CARD AND PIN TO ANOTHER PERSON, FRIEND OR RELATIVE:**

If you willingly give someone else both your card and your PIN and they take some or all of your benefits without your permission, we will not replace any of the benefits that were taken. This means, for example, that if you provide your card and PIN to a neighbor to purchase some groceries for you and the neighbor not only buys the items you requested but also pays for her own purchases with your card, we will not replace the benefits you lost because of your neighbor's action.

### **WITHDRAWING YOUR PERMISSION TO USE YOUR CARD AND PIN:**

If there is someone in your household who moves or if you no longer want someone to be able to use your card, you should call the Customer Service Help Desk immediately at 1-800-264-6589. Once you call, we will place a hold on your FAMILIES FIRST account so that no one else can withdraw your benefits. We will also make arrangements to get you a new PIN within two business days so you will be able to get your benefits. If we fail to act when you tell us that a friend or relative no longer has permission to use your card and, if benefits are taken without your permission, we will replace any benefits that are lost.

### **REPORTING A LOST OR STOLEN CARD IMMEDIATELY:**

Even though your FAMILIES FIRST card cannot be used without your PIN, you should report a lost or stolen card as soon as you discover the loss. To report that your card is missing, call the Customer Service Help Desk immediately at 1-800-264-6589. Only by calling this number can we place an immediate hold on your account so that no one else can try to get to your benefits.

## **YOUR RIGHTS IN THE FAMILIES FIRST SYSTEM**

### **YOU HAVE THE RIGHT TO CHOOSE YOUR OWN PIN:**

Your PIN is your own secret code for using your FAMILIES FIRST card. You have the right to pick out whatever set of four numbers you want to have as your PIN.

### **YOU HAVE THE RIGHT TO FIND OUT YOUR ACCOUNT BALANCE:**

If you want to find out how many benefits are left in your FAMILIES FIRST account (your "account balance"), you can call the Balance Hotline at 1-800-997-3333. Your receipt, which is provided after you conduct a transaction, may also provide you with a balance. See your training material for an explanation on other ways to obtain your balance.

### **YOU HAVE THE RIGHT TO RECEIVE A RECEIPT WHENEVER YOU USE YOUR FAMILIES FIRST CARD:**

You should receive a printed receipt each time you use your FAMILIES FIRST card at an ATM or a POS machine. The receipt should include the following information:

- the date of the transaction;
- some identification of where the transaction took place; and
- the type and amount of the transaction.

The receipt may also show the balance left in your account after the transaction.

Keep your receipts for at least a month. This will help you to keep track of your remaining balance and may also tell you if an error has occurred.

**YOU HAVE THE RIGHT TO REQUEST A WRITTEN TRANSACTION HISTORY:**

If you need a more complete record about your FAMILIES FIRST account, or if you think there may be an error, you can call the Customer Service Help Desk number (1-800-264-6589) and ask for a transaction history for your account. This is a written record of all the activity on your FAMILIES FIRST account for the last 60 days. The transaction history will show the dates and amounts of each deposit we made into your account during this period. It will also provide a complete record of each withdrawal, including the date, amount, type of transaction (cash or food stamps), and a location of where each transaction was made.

**YOU HAVE THE RIGHT TO USE THE FAMILIES FIRST SYSTEM WITHOUT BEING CHARGED ANY FEES/CERTAIN CASH-BACK LIMITATIONS AT POS:**

This means you can use your card to get cash from any participating ATM or POS device for free. You can also use your card at a POS machine to pay for food purchases in a participating grocery store. If you want to make a cash withdrawal using a POS device, the store has to pay you the full amount you request in cash and you cannot be required to take a store credit or coupon for part of the amount you want. If a store violates these rights, you should contact us at 1-800-264-6589 so that we can take appropriate steps to correct the problem.

Stores are permitted to set limits on whether they will let you make cash withdrawals using their POS device. They can also limit the amount of cash they will let you withdraw at one time and the number of cash withdrawals they will let you make in a month. You should have received a list of the stores in your area that allow cash withdrawals and any limits that apply.

**YOU HAVE THE RIGHT TO USE YOUR FAMILIES FIRST CARD THROUGHOUT THE MONTH:**

You have the right to use your FAMILIES FIRST card as many times as you want to get cash from an ATM or a POS device or to pay for food purchases using your card. This means that you do not have to spend all your food stamp benefits or withdraw all your cash benefits at the beginning of the month. You can decide when to withdraw your benefits and you can spread your withdrawals out over the whole month. You can even choose to leave some of your benefits in your account from month to month.

When using your food stamp benefits, stores cannot require you to purchase any minimum amount of items in order to use your FAMILIES FIRST card. They also cannot limit the number of food stamp purchases you can make in a month with your FAMILIES FIRST card. But, you cannot make a purchase which is greater than your available food stamp balance.

**YOU HAVE THE RIGHT TO GET A REPLACEMENT CARD OR PIN WITHIN TWO BUSINESS DAYS:**

If you report to us that your card has been lost, stolen, or damaged, we will place a hold on your account so that no one else can withdraw your benefits. In addition, we will refer you to the card issuance site so you can obtain a new card within two business days of receiving your report.

If your card is lost or stolen we will not charge you a fee to replace it. However, if this occurs more than one time, you will have to pay a replacement fee.

If you report to us that you cannot remember your PIN or need to change your PIN for any reason, we will explain how to choose a new PIN.

**YOU HAVE THE RIGHT TO CHANGE YOUR FOOD STAMP FAMILIES FIRST BENEFITS TO FOOD STAMP COUPONS IF YOU ARE LEAVING THE FAMILIES FIRST PROJECT AREA:**

If you move out of Hudson County into a county which does not now use the Families First to provide benefits, you must contact your Hudson County caseworker to request that any remaining Food Stamp benefits be changed to the paper system. This will allow you to use your Food Stamp benefits in the county where you will be living. Your FAMILIES FIRST Food Stamp account will be closed and your Food Stamp benefits changed within 3 days of the date you notified your caseworker. Your FAMILIES FIRST AFDC account will not be changed since you can use ATMs throughout New Jersey to get your benefits.

## **REPORTING A LOST OR STOLEN CARD OR PIN**

If your FAMILIES FIRST card is lost or stolen, you should report the loss or theft immediately by calling the Customer Service Help Desk at 1-800-264-6589 so that we can cancel your card. Contacting us quickly can reduce the chances of someone using your card and getting to your benefits. The Help Desk is open 7 days a week, 24 hours a day. Make sure you report a lost or stolen card right away.

If we do cancel your card, we will tell you how to get a replacement card within two business days. If any benefits are taken from your account after you have reported the loss or theft of your card to us, we will replace them.

### **WHEN YOU KNOW THAT YOUR CARD OR PIN IS LOST OR STOLEN:**

If you report the loss or theft of your card or PIN within 2 business days, we may replace all the benefits taken from your account before you reported the problem, except for the first \$50. This means you would not lose more than \$50, even if more than \$50 in benefits were taken from your FAMILIES FIRST account. It also means that if the loss is less than \$50, we will not replace any of the lost benefits.

If you wait more than 2 business days to tell us about the loss or theft, and we can show you could have stopped someone from using your Card and/or PIN if you had notified us, you could lose up to a maximum of \$500 in benefits. This means that if all your benefits were stolen before you reported the problem to us, we would not replace the first \$500 lost.

Remember, it is very important to report the loss or theft of your Card or PIN right away. If you wait and tell us after 60 days, no benefits will be replaced.

### **WHEN YOU BELIEVE YOUR CARD/PIN IS SAFE:**

If it seems that your card/PIN is safe, but you discover that benefits are missing from your account when you check your balance, look at a transaction receipt, or review a written account history, you must report the loss to us within sixty days of discovering it. If you do not report the error to us within sixty days, and we can show that you should have been aware of the error, we may not replace any of the missing benefits.

If you report the loss to us within sixty days, we may replace:

- 1) All of the benefits that you lost, or
- 2) All benefits except for the first \$50 if we can show that your card and/or your PIN was used and your permission has never been granted. If you are liable for the first \$50, it means that if the loss is less than \$50, we will not replace any of the lost benefits.

If you report the error within sixty days and we find that the use of your card and/or your PIN was involved without your knowledge and your permission has never been granted, you may be asked to file a police report and assist us in prosecuting the person who took your benefits. Failing to file a police report and/or assist with the prosecution of the person who took your benefits, could affect your claim.

The time periods for reporting errors may be extended if you need more time due to illness or some other emergency.

### **REPORTING A LOST OR STOLEN CARD OR STOLEN BENEFITS BY PHONE:**

Call the Customer Service Help Desk at 1-800-264-6589. The Help Desk is open 7 days a week, 24 hours a day. When you report errors by telephone, you will receive a claim number and will be advised that you must provide a written claim to us within 10 business days. You will be asked to report to the Investigative Unit, located at the Hudson County Division of Welfare, 100 Newkirk Street, Room 205, Jersey City where an Investigator will obtain some information from you and assist you with the written statement.

### **REPORTING LOST OR STOLEN CARD OR LOST BENEFITS IN WRITING:**

The Customer Service Help Desk is the easiest and fastest way to contact us and protect any remaining benefits in your account. However, if you are unable to call the Help Desk, you must still provide us with a written statement within 10 business days. The statement must be mailed to:

Investigative Unit  
Hudson County Division of Welfare  
100 Newkirk Street  
Room 205  
Jersey City, New Jersey 07306

Your written report should include:

- Your name, address and case number;
- Why you think there is an error and if you think it is because of lost or stolen benefits;
- When (the date) you found out about the error and how you found out about it (by receipt, balance inquiry, lost card, etc);
- Where did the problem occur (at an ATM or POS); and
- How many benefits you think are missing from your account or if you need more information to figure out how many benefits are missing.

You should ask us for help in preparing a written statement if you need assistance. If you need to speak with someone in the Investigative Unit, the telephone number is (201) 420-3219.

**REMEMBER: A LOST OR STOLEN CARD AND/OR LOST BENEFITS MUST BE REPORTED TO US WITHIN 60 DAYS FROM THE DATE YOU DISCOVER THE LOST OR STOLEN CARD AND/OR LOST BENEFITS.**

But remember, if your card needs to be cancelled, please call the Customer Service Help Desk immediately at 1-800-264-6589 and if necessary, follow any additional instructions to have your card cancelled.

**GETTING A CLAIM NUMBER:**

When you report a lost or stolen card/benefits to a Customer Service Help Desk operator or you provide your report in person, be sure that we provide you with a claim number. Getting a claim number is very important as this is your proof that you filed a report. For greater protection, it is a good idea to ask for and keep our operator's name when you file your claim.

**FILING A POLICE REPORT AND ASSISTING WITH PROSECUTION:**

If your benefits have been stolen, you will be expected to file a police report and help us with the prosecution of the person who took your benefits even if this person happens to be a friend, relative or stranger.

If benefits have been stolen, a written claim must be filed and you will be expected to visit one of the investigators in the Hudson County Investigative Unit in order to complete your claim. The Investigator will assist you in preparing a written statement.

**REPORTING OTHER KINDS OF ERRORS**

**WHAT TO DO IF THERE ARE PROBLEMS WITH YOUR FAMILIES FIRST ACCOUNT:**

Problems (also known as errors) can happen for different reasons. For example:

- After making a purchase, you may later discover that a merchant accidentally overcharged you; or
- We could make a mistake and cause you to lose benefits; or
- An ATM may not give you the correct amount of cash.

**REPORTING ERRORS BY PHONE:**

If you determine that an error has been made, call the Customer Service Help Desk at 1-800-264-6589. The Help Desk is open 7 days a week, 24 hours a day.

**REPORTING ERRORS IN WRITING:**

The Customer Service Help Desk is the easiest and fastest way to contact us and protect any remaining benefits in your account. However, if you are unable to call the Help Desk, you must still provide us with a written statement within 10 business days. The statement must be mailed to:

Investigative Unit  
Hudson County Division of Welfare  
100 Newkirk Street  
Room 205  
Jersey City, New Jersey 07306

Your written statement should include:

- Your name, address and case number;
- Why you think there is an error and if you think it is because of lost or stolen benefits;
- When (the date) you found out about the error and how you found out about it (by receipt, balance inquiry, lost card, etc);
- Where did the problem occur (at an ATM or POS); and
- How many benefits you think are missing from your account or if you need more information to figure out how many benefits are missing.

If you need assistance in preparing a written statement, call the Hudson County Investigative Unit at (201) 420-3219.

**ERRORS MUST BE REPORTED TO US WITHIN 60 DAYS FROM THE DATE YOU DISCOVER THE ERROR.**

#### **ACTIONS WE WILL TAKE WHEN YOU REPORT AN ERROR OR FILE A CLAIM**

If you report that benefits are missing from your account, here are some actions that we may take including providing you with a temporary credit, letting you know if your claim was approved or denied, and our deadlines for acting on and deciding your claim.

#### **ERRORS WHICH ARE CAUSED BY US:**

If we fail to make a payment into your account or your benefits are not made available on the scheduled date, you will not be charged or penalized in any way. You should contact the Customer Service Help Desk immediately at 1-800-264-6589 to report the mistake. If we find that the error is our mistake, we will put the benefits you are owed into your account within one business day. If we find that payment to your account has not yet been authorized, we will advise you to contact your caseworker at the Hudson County Division of Welfare.

#### **ATM ERRORS:**

We will usually take no more than 10 business days to finish our investigation and make any necessary adjustments to your account. If our investigation takes longer we will give you a temporary credit if you have cooperated and you have provided us with a written report of your claim,. This means we will pay into your account all benefits which are missing or all benefits except for the first \$50. After 10 business days, our investigation cannot take more than 45 days.

#### **POS ERRORS:**

We will usually take no more than 20 business days to finish our investigation. If our investigation takes longer we will give you a temporary credit if you have cooperated and you have provided us with a written report of your claim,. This means we will pay into your account all benefits which are missing or all benefits except for the first \$50. After 20 business days, our investigation cannot take more than 90 days.

#### **LETTING YOU KNOW WHEN YOUR CLAIM IS DENIED:**

If we turn down or deny your claim, we will contact you or mail our results to you within three business days after we complete our investigation. If we gave you a temporary credit and your claim is denied, we will treat the temporary credit as an overpayment and will take steps to get back the funds we paid into your account to which you are not entitled. If you disagree with our final decision, you may request a fair hearing.

**YOU HAVE THE RIGHT TO RECEIVE INFORMATION THAT WE USE TO INVESTIGATE ANY CLAIM OF A LOST OR STOLEN CARD AND/OR LOST OR STOLEN BENEFITS THAT YOU FILE:**

By making your request through the Hudson County Investigative Unit copies of records used to investigate your claim will be provided to you.

**YOU HAVE THE RIGHT TO APPEAL OUR DECISION IF WE DENY YOUR ERROR CLAIM:**

If you file a claim and we deny your claim, you have the right to request a fair hearing. You can request a hearing by writing to either the:

Hudson County Welfare Agency  
Fair Hearing Unit  
100 Newkirk Street - 7th Floor  
Jersey City, New Jersey 07306

or

New Jersey Division of Family Development  
CN 716  
Trenton, New Jersey 08625

You may also call the County Welfare Agency at (201) 420-3129 to request a fair hearing.

You must request a fair hearing within 10 days of the mailing date of our final decision. If you need more information about the way we investigate errors, you can call the Hudson County Investigative Unit at (201) 420-3219.

**LETTING YOU KNOW WHEN YOUR CLAIM IS APPROVED:**

If we find that your claim is correct, we will contact you or mail our results to you and fix the error within one business day after we finish our investigation. If we gave you a temporary credit and we agree with your claim, the credit will become final.

**PROVIDING YOU WITH ADDITIONAL INFORMATION ABOUT OUR INVESTIGATION PROCEDURES:**

If you need more information about our error claim procedures, you can call us at the Hudson County Investigative Unit at (201) 420-3219.

**WHEN WE MIGHT DISCLOSE INFORMATION ABOUT YOUR FAMILIES FIRST ACCOUNT TO OTHERS**

In general, information about your FAMILIES FIRST account is kept secret or confidential. Only under special circumstances will we provide information about your account to persons not directly involved in handling the account. The types of circumstances under which information would be released include:

- When the information is necessary for completing your purchase or withdrawal;
- When the information is necessary to prove to a merchant that your account is real and active;
- When we are required by federal, state, or local law to provide it for investigative or review purposes;
- When we are required by court order to provide it;
- When the information is needed to help resolve an error claim; or
- When you give us written permission to release the information.

January 30, 1995



# Hudson Reg E Claim Report

Claim No. \_\_\_\_\_

## Section A

HD Rep Name: \_\_\_\_\_ Date of Call: \_\_\_\_/\_\_\_\_/\_\_\_\_

Time Call Started: \_\_\_\_\_ (EST) am \_\_\_\_ pm \_\_\_\_ Time Call Ended: \_\_\_\_\_ (EST) am \_\_\_\_ pm \_\_\_\_

## Section B

Cardholder Name: \_\_\_\_\_

Address: \_\_\_\_\_

Do you have a phone number where you can be reached during the day? ☐ Yes ☐ No

If Yes, what is that number? ( \_\_\_\_\_ ) \_\_\_\_\_

Card #: \_\_\_\_\_ ☐ Client Provided ☐ Help Desk Lookup

Case #: \_\_\_\_\_

Date of Loss: \_\_\_\_/\_\_\_\_/\_\_\_\_ Amount of Loss: \$ \_\_\_\_\_

Did the loss occur at (check one): ☐ ATM ☐ POS ☐ ATM & POS

Location of ATM and/or POS: \_\_\_\_\_

When and how did you realize there was a problem? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Describe what happened: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### Reason (check all that apply):

☐ ATM Misdisperse

☐ Compromised PIN

☐ Unexpl. Missing Funds

☐ POS Error

☐ System Error

☐ Forced Transaction

☐ Reg E Other \_\_\_\_\_

☐ Lost Card

☐ Stolen Card

☐ Declined to File

## Section C

### Client Advised of the Following (check as completed):

☐ Your card has been hot-carded and benefits cannot be accessed.

☐ You must report to the Investigative Unit located at the Hudson County Division of Welfare, John F. Kennedy Office Building, 100 Newkirk Street, Room 205, Jersey City.

☐ Bring your card, receipt(s) and any other information related to this claim to the Investigative Unit.

☐ Client was given their claim number from upper right hand corner of this claim form.

Help Desk Representative's Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Help Desk Fax Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Deluxe Action? ☐ Yes ☐ No



be resolved at the local office by providing the client with information, such as the date benefits were issued. At the beginning of the demonstration, if it was clear that the problem was due to an ATM misdisbursement or an unauthorized transaction, the EBT specialists in the three Reg E demonstration counties completed both an EBT problem report and a newly developed Reg E tracking form.<sup>3</sup> Once into the project, however, they found the Reg E tracking form to be a duplication of information and discontinued its use. Often the specialist would call and give the Help Desk information about the problem over the phone. The specialist then faxed a copy of the problem report to the Help Desk.

When Help Desk staff received a call about a problem in any county, they assigned an internal tracking number to the claim. If the county involved was a Reg E demonstration county, an EBT problem report or Reg E tracking form was filled out. Each day, a member of the Reg E unit checked with the Help Desk (located in the same building) to pick up any forms that had arrived or been filled out.

For an ATM misdisbursement, the Help Desk not only provided the Reg E staff with a copy of the claim, but also faxed a copy of the claim to the EBT vendor, First Security Bank (FSB). The bank and Reg E staff jointly investigated all claims of ATM misdisbursements.

### **Followup Contact with Claimant**

If the Reg E claim involved anything other than an ATM misdisbursement, the Reg E coordinator sent a letter to the client stating that the Reg E unit would need more information from the client in order to proceed. The demonstration's original letter requested that the client call the coordinator "as soon as possible." The letter was later revised to include the date that a decision would be made on their claim. The coordinator ran a report of the client's card history, transaction history, and other pertinent case information while waiting for the client to respond.

If the client did not respond to the letter within ten days (for an ATM transaction) or 20 days (for a POS transaction), and they had a history of card loss, the claim was most likely denied.

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<sup>3</sup> A copy of the tracking form is included at the end of this appendix.

If the client did respond to the letter, the Reg E coordinator asked the client to describe their loss, and she usually asked that the client file a police report. Although a police report was not mandatory, the coordinator requested it in every claim during the demonstration involving unauthorized card usage. Clients were asked to bring the police report to the Reg E unit or their county office.<sup>4</sup> Clients were also asked if they would be willing to prosecute in cases of fraud or theft. The coordinator inquired about other persons who had access to the card and PIN, and would indicate that she intended to interview them as part of the investigative process. This is the point at which many claims dropped out of the system. If clients knew the person who took the card, such as a family member, they were often unwilling to file a police report and prosecute.

### **Further Processing and Investigation**

For claims of misdisbursement at an ATM owned by FSB, the bank investigated the claim using its own ATM records. For claims that involved an ATM owned by another bank, FSB requested that the bank investigate the misdisbursement by checking its own records. Misdisbursements that involved banks other than FSB almost always took more than ten days to investigate, so a provisional credit was usually issued. For some claims of ATM misdisbursement that the Reg E staff felt were suspect, however, the claim was denied if the bank investigation was not complete in ten days. If the bank's investigation later supported the claim, the case was reopened and the benefits were reimbursed.

After the misdisbursement investigation was completed, the information was turned over to the Reg E staff. If the claim was supported by the bank investigation and a provisional credit had been issued, FSB reimbursed the State of New Mexico. If the claim was not verified and a credit had been issued, a recoupment process began. If the misdisbursement was resolved prior to the ten-day timeframe, FSB credited the client directly.

Almost all non-misdisbursement claims were investigated directly by the Reg E unit. After the coordinator spoke to the client for the first time and requested additional information, such as a police report, she printed out and reviewed the transaction record for the EBT account. The

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<sup>4</sup> Most, but not all, police precincts in New Mexico were cooperative by providing copies of police reports to clients free of charge. Some precincts, however, charged for copies of police reports.

coordinator then waited for the additional information requested from the client. Other sources of information that the coordinator may have pursued include interviews with the following: the caseworker, store manager or clerk, and other persons with access to the card and PIN.

When the Reg E staff suspected fraud, or when a case was in need of further field investigation, they turned the case over to the HSD Office of the Inspector General (OIG). Reg E staff submitted over 20 cases to the OIG during the demonstration; some of which still had not been resolved at the demonstration's close. Toward the end of the demonstration, the coordinator began to conduct more field investigations herself, always being careful to coordinate her efforts with those of OIG.

### **Notifying Claimant of Decision**

Once a decision on a claim was reached, the Reg E coordinator generated a letter notifying the client of the decision. In some cases, she also called the client.

For denied claims, the New Mexico notice of a claims decision included the reason for denial, as well as a sentence indicating the client's right to request a fair hearing.

### **Providing Provisional Credits**

In New Mexico a provisional credit could be issued via the state's benefit issuance system using a specially-developed code for this purpose. Only three people in New Mexico had authorization to issue Reg E credits: the EBT project director, the Reg E project manager, and the Reg E coordinator. The Reg E coordinator kept a manual log of the dates that all provisional credits were issued. The log was periodically reviewed to make sure that necessary action was taken to reach a final decision on each claim.

In nearly all situations in which provisional credits were granted (including claims of ATM misdispense), Reg E staff deducted the client's \$50 liability amount (or up to \$500 for late-reported claims) from the credit. If the claim was subsequently approved and not subject to a liability amount, the liability "deduction" was reimbursed.

Early in the demonstration there were a couple of instances in which provisional credits never reached the client's EBT account. Upon investigation, it turned out that the HSD's Restitutions Bureau "intercepted" these credits to recoup previous (non-Reg E-related) overpayments to the clients. This was possible because Reg E credits were treated as

*supplemental* issuances, and supplemental issuances are not subject to monthly recoupment limits. After this incident, however, there were no further problems with clients receiving their full provisional credit. The Reg E unit and the Restitutions Bureau reached agreement that, when notified that a provisional credit was being issued to a client with an outstanding claim, the bureau would take the necessary steps to cancel the automatic intercept.

### **Recovering a Provisional Credit**

The Reg E staff initiated the recoupment process with a form that was sent to the Restitutions Bureau. The bureau was responsible for adjusting monthly allotments by the recoupment amount and tracking total recouped amounts. For all recoupment efforts (i.e., not just those involving Reg E provisional credits), about 40 percent of recouped food stamp benefits in New Mexico are recovered, as are about 54 percent of recouped AFDC benefits.

### **Handling Client Appeals**

In New Mexico the client appeals process followed that of the food stamp and AFDC programs. Clients not satisfied with a decision on a claim had ten days to appeal. The first step in the process was an administrative review of the decision. All relevant information in the case was reviewed by a panel consisting of the EBT project director, the Reg E project manager, and the Reg E coordinator. Administrative reviews were to be completed within five days of an appeal, and clients were informed of the decision in writing.

If the client was not satisfied with the administrative review decision, he or she could request a fair hearing in accordance with HSD procedures. Whether an administrative review was requested or not, a client had 93 days from the date a denial notice was sent to request a fair hearing.<sup>5</sup> Clients could appeal to the county office, to the Reg E unit, or directly to the Hearings Bureau. The last possible step in the process was legal action if the client was dissatisfied with the fair hearing. The state had a total of four fair hearings associated with Reg E decisions during the demonstration.

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<sup>5</sup> The 93 days allowed three days for mail delivery and 90 days, once notified, to request a fair hearing.

## **Corrective Action Procedures**

New Mexico adopted a number of strategies to minimize incidents of lost or stolen EBT benefits. An imposition of a \$2.00 fee in all of Bernalillo County for EBT cards that were replaced was meant to encourage clients to be more responsible in taking care of their cards. The assumption was that if fewer cards were lost or stolen, there would be fewer opportunities for misuse of those cards. The state is interested in expanding implementation of this policy of charging for replacement cards after the demonstration.

A similar strategy was the use of photo EBT cards in the Northeast and Northwest offices in Bernalillo County, implemented in March 1996. Although photo EBT cards could reduce fraudulent use of lost or stolen cards, the state's hope was that clients would have a greater sense of "ownership" for cards containing their picture and be less likely to lose them or have them stolen.<sup>6</sup> Because the photo EBT card system was implemented late in the demonstration, the state plans to leave it in place for at least one year and to evaluate the system for possible expansion to the other Albuquerque offices.

An additional "preemptive" strategy used in all sites, of course, was the distribution of the disclosure notice and greater emphasis on card and PIN security during EBT training.

In terms of corrective actions for clients who suffered a loss and filed a claim, a client who compromised his or her PIN or who was suspected of making a fraudulent claim was required to attend additional EBT training. With regard to the feasibility of other corrective actions, the EBT manager noted that it would be very difficult to exercise corrective actions against clients in a mandatory EBT system if they were irresponsible or making questionable claims. It is not really feasible to return clients to a paper issuance system once an entire state has been converted to EBT.

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<sup>6</sup> Confirming the statement that the photo card is designed to encourage clients to be more responsible for their cards rather than discourage others from fraudulent use of lost or stolen cards, New Mexico officials told retailers participating in EBT that they were not expected to check EBT card photos when cards are used. Indeed, such an approach would not be appropriate because clients are not prohibited from asking others (e.g., responsible family members) to take the card (and PIN) for shopping.

### **Tracking Reg E Claims**

The Reg E unit tracked claims using the PC-based Regulation E Tracking System (RETS) developed for the demonstration. The RETS database was the official record of all claim actions.

The RETS was used periodically to print a list of all pending claims. This list identified claims about to reach their deadline for a provisional credit and helped the Reg E manager and coordinator plan and manage their daily workload. The RETS also was used to print out management reports for the EBT project director (e.g., a listing of claims received each month with a comparison of deadline dates for provisional credits and resolution dates).

Although the RETS was capable of printing form letters and notices to clients, other user-friendly software was used for this task.



## DATE:

## **EBT Disclosure Statement**

### **INTRODUCTION**

You live in an area that no longer delivers paper welfare checks or food stamp coupons. Instead, your monthly benefits are available electronically using a special plastic card that looks like a regular bank or credit card, and a secret code number called a **PIN (Personal Identification Number)**.

Using your card and PIN allows you to pay for food purchases in grocery stores without having to use food stamp coupons or pay cash, as long as you have funds remaining in your food stamp account. You can also use your card to pay for purchases or make withdrawals from your AFDC allowance using **Point of Sale (POS)** devices in certain stores or **Automated Teller Machines (ATMs)** operated by banks.

The general name for the **type of benefit delivery system your area is using is Electronic Benefits Transfer (EBT)**. Plans are underway to begin using this type of system for delivering government benefits throughout the country.

In addition to this document (known as a disclosure) you will also receive separate information which talks about how to use ATMs and POS terminals as well as other safety and security measures when using the EBT system. **All information you receive is important and you should take the necessary time to read it.** Save all written information and store it in a safe place so that you can refer back to it later if a problem comes up and you don't remember what your are supposed to do.

Your county has been chosen as a site to test out a system that provides you with some important new rights that were not available before. **The purpose of this disclosure is 1) provide you with information which explains these new rights to you, 2) talks about your responsibility to report problems or errors, and 3) talks about lost benefits and how much certain kinds of losses might cost you.**

### **DISCLOSURE CONTENTS**

This disclosure contains important information about the care, use, and protection of your EBT card. In particular, this disclosure talks about:

- \* **Business Day**
  - describes what we mean by "business day".
- **Your responsibility to protect your EBT card and PIN:**
  - caring for your EBT card,
  - keeping your PIN a secret,
  - allowing others to use your card and PIN,
  - changing an authorized user,
  - reporting a lost or stolen card immediately.
- **Your rights including:**
  - choosing your own PIN,
  - finding out your account balance,
  - receiving a receipt and requesting a written transaction history,
  - obtaining benefits without being charged a fee,
  - using the card during the month and certain cash-back limitations,
  - obtaining a replacement card or PIN,
  - moving out of an EBT project area.

- **Reporting a lost or stolen Card or PIN, reporting other kinds of errors, and what errors might cost you:**
  - cancelling a lost or stolen card immediately,
  - reporting errors by phone,
  - giving us the error information,
  - reporting errors in writing,
  - getting a claim number,
  - filing a police report, assisting with prosecution,
  - errors due to a lost or stolen card/PIN,
  - errors but you still have your card/PIN.
- **Actions we will take when you report a loss or file a claim:**
  - errors which are our fault,
  - ATM errors/Temporary Credit,
  - POS errors/Temporary Credit,
  - letting you know if your claim is denied,
  - letting you know if your claim is approved,
  - getting additional information about our procedures.
- **When we might disclose information about your EBT Account:**
  - circumstances where we may provide information about your account to others.

### **BUSINESS DAY**

Throughout this disclosure we will often refer to "business day". When you see this, it means any day other than a Saturday, a Sunday, or any of the legal public holidays.

### **PROTECTING YOUR EBT CARD AND PIN**

#### **Care of your EBT card:**

Always keep your card in a safe place. Do not let it come into contact with other bank or credit cards, electronic equipment like TV's or microwaves, or direct sunlight. Any of these things can damage the black magnetic strip on the back of the card so that it will no longer be "readable" by the POS or ATM device. If the magnetic strip does become damaged, you will need to request a new card.

#### **Keep your PIN a secret:**

Your EBT card will only work with the personal identification number (PIN) that you chose. Your PIN is your own secret code and helps to prevent anyone else from getting your benefits, even if your EBT card is lost or stolen. Do not give your PIN to anyone, including your caseworker, a store employee, a bank employee, anyone you call to report a problem with your EBT account, or a family member (unless you want that person to be able to spend your benefits).

Try to memorize your PIN so that you won't need to write it down anywhere. If you do have to write it down, keep your card and PIN in separate locations. Do not write your PIN on the EBT card, or on the protective sleeve you keep the card in, or on anything else you keep near your card.

#### **Giving your card and PIN to another person, friend or relative:**

If you willingly give someone else both your card and your PIN and they take some or all of your benefits, we will not replace any of the benefits that were taken. This means, for example, that if you provide your card and PIN to a neighbor to purchase some groceries for you and

the neighbor not only buys the items you requested but also pays for her own purchases with your card, we will not replace the benefits you lost because of your neighbor's action.

**Withdrawing your permission to use your card and PIN:**

If there is someone in your household who moves, for example, or you want to take away your permission and keep someone from continuing to use your card, you should call your County Office immediately. Once you call, we will cancel your card and make arrangements to get you a new card and PIN within two business days. Once you tell us that a friend or relative no longer has permission to use your card, we will replace any benefits that are lost if we fail to act on your report.

**Reporting a lost or stolen card immediately:**

Even though your EBT card cannot be used without your PIN, you should report a lost or stolen card as soon as you discover the loss. To report that your card is missing, call your County Office immediately. Only by calling this number can we place an immediate hold on your account so that no one else can try to get to your benefits.

**YOUR RIGHTS IN THE EBT SYSTEM**

**You have the right to choose your own PIN:**

Your PIN is your own secret code for using your EBT card. You have the right to pick out whatever set of four numbers you want to have as your PIN.

**You have the right to find out your account balance:**

In Albuquerque, if you want to find out how many benefits are left in your EBT account (your "account balance"), you can call 842-6278. Outside Albuquerque, you can call 1-800-843-8303. You may also obtain your balance by performing a "balance inquiry" at an ATM or POS machine. Your receipt which is provided after you conduct a transaction may also provide you with a balance.

**You have the right to receive a receipt whenever you use your EBT card:**

You should receive a printed receipt each time you use your EBT card at an ATM or a POS machine. The receipt should contain the following information: the date of the transaction, some identification of where the transaction took place, the type and amount of the transaction, and may contain the balance left in your account after the transaction.

Keeping your receipts for at least a month helps you to keep track of your remaining balance. Balance information may also tell you that an error has occurred.

**You have the right to request a written transaction history:**

If you need a more complete record about your EBT account, or if you think there may be an error, you can call your County Office and ask for a **transaction history** for your account. This is a written record of all the activity on your EBT account for the last 60 days. The transaction history will show the dates and amounts of each deposit we made into your account during this period. It will also provide a complete record of each withdrawal, including the date, amount, type of transaction (cash or food stamps), and location where each transaction was made.

**You have the right to use the EBT system without being charged any fees:**

You cannot be charged any fees to use your EBT card. This means you can



quickly. By contacting us quickly, we can reduce the chances of someone using your card and getting to your benefits. Your County Office address and phone number is on the last page of this booklet. After work hours, a recorded message will provide a special phone number for you to call so that your card can be cancelled. **Make sure you report a lost or stolen card right away and if you get a recorded message, follow any special instructions to have your card cancelled without delay.**

If we do cancel your card, we will arrange to get you a replacement card within two business days. If any benefits are taken from your account **AFTER** you have reported to us the loss or theft of your card, we will replace them.

#### **WHAT TO DO IF THERE ARE PROBLEMS WITH YOUR EBT ACCOUNT**

Problems (also known as errors) can happen for different reasons. For example, someone who is not authorized to use your card may learn your PIN and take benefits by temporarily "borrowing" your card without your knowledge. But, there can be other errors as well. For example, after making a purchase, you may later discover that a merchant accidentally overcharged you. Or, we could make a mistake and cause you to lose benefits. Or, an ATM may not give you the correct amount of cash. This section talks about errors, how to report errors, and what errors might cost you.

#### **Reporting errors by phone:**

Call the Help Desk telephone line at (505) 841-4465. Outside the Albuquerque area, call 1-800-283-4465.

The Help Desk hours are 7:30 am to 4:30 pm. After hours, a machine will answer and you will be able to leave a recorded message. But, if your card needs to be cancelled, follow any special instructions which the recording will provide so that your card can be cancelled right away. When you report errors by telephone, we may ask you to give us a written statement within 10 business days. Whenever you discover an error, it must be reported quickly. If you discover an error and do not tell us within 60 days, we will not replace any of your lost benefits.

**You will need to provide this information when reporting an error by phone or in writing:**

- Your name and case number,
- Why you think there is an error and if you think it is because of lost or stolen benefits,
- When (date) you found out about the error and how you found out about it (by receipt, balance inquiry, lost card, etc),
- How many benefits you think are missing from your account or if you need more information to figure out how many benefits are missing.

#### **Reporting errors in writing:**

The Help Desk is the easiest and fastest way to contact us but you can also report errors in writing. You can mail or hand-carry your written statement to this address: EBT Project, 10801 Lomas N.E., Albuquerque, 87112. Your written report should include the same information listed above. You should ask us for help in preparing a written statement if you need assistance.

But remember, if your card needs to be cancelled, please call your County Office immediately, and, if necessary, follow any additional instructions to have your card cancelled. Also, if you discover an error and do not tell us within 60 days, we will not replace any of your lost benefits.

### **Getting a Claim Number:**

When you report an error to a Help Desk operator or you provide your report in person, be sure that we provide you with a claim number.

**Getting a claim number is very important** as this is your proof that you filed a report. For greater protection, it is a good idea to ask for and keep our operator's name when you file your claim.

### **Filing a police report and assisting with prosecution:**

If your benefits have been lost or stolen, you may be asked to file a police report and help us with the prosecution of the person who took your benefits even if this person happens to be a friend, relative or stranger.

If benefits have been stolen, a written claim must be filed and you may be expected to visit one of our special investigators in order to complete your claim. You should ask us for help in preparing a written statement if you need assistance.

### **Errors when you know that your Card or PIN is lost or stolen:**

If you report the loss or theft of your card or PIN within 2 business days, we may replace all the benefits taken from your account before you reported the problem, except for the first \$50. This means you would not lose more than \$50, even if more than \$50 in benefits were taken from your EBT account. It also means that if the loss is less than \$50, we will not replace any of the lost benefits.

If you wait more than 2 business days to tell us about the loss or theft, and we can show you could have stopped someone from using your Card and/or PIN if you had notified us, you could lose up to a maximum of \$500 in benefits. This means that if all your benefits were stolen before you reported the problem to us, we would not replace the first \$500 lost.

Remember, it is very important to report the loss or theft of your Card or PIN right away. If you wait and tell us after 60 days, no benefits will be replaced.

### **Errors but you believe your Card/PIN is safe:**

If it seems that your card/PIN is safe, but you discover that benefits are missing from your account when you check your balance, look at a transaction receipt, or written account history, you must report the loss to us within sixty days of discovering it. If you do not report the error to us within sixty days, and we can show that you should have been aware of the error, we may not replace any of the missing benefits.

If you report the loss to us within sixty days, we may replace 1) **all** of the benefits that you lost, or 2) **all benefits except for the first \$50.00** if we can show that your card and/or your PIN was used and your permission has never been granted. If you are required to pay the first \$50.00, it means that if the loss is less than \$50.00, we will not replace any of the lost benefits.

If you report the error within sixty days and we find that the use of your card and/or your PIN was involved without your knowledge and your permission has never been granted, you may be asked to file a police report and assist us in prosecuting the person who took your benefits. Failing to file a police report and/or assist with the prosecution of the person who took your benefits, could affect your claim.

The time periods for reporting errors may be extended if you need more time due to illness or some other emergency.

#### **ACTIONS WE WILL TAKE WHEN YOU REPORT AN ERROR OR FILE A CLAIM**

If you report that benefits are missing from your account, here are some actions that we may take including providing you with a **temporary credit**, letting you know if your claim was approved or denied, and our deadlines for acting on and deciding your claim.

#### **Errors which are caused by us:**

If we fail to make a payment into your account or your benefits are not made available on the scheduled date, you will not be charged or penalized in any way. You should contact us immediately at the Help Desk telephone number to report the mistake. If we find that the error is our mistake, we will put the benefits you are owed into your account within one business day.

If you report a problem to us such as a lost or stolen card and benefits are taken after you filed your report with us, we will replace any missing benefits. (See "getting a claim number" above).

#### **ATM Errors:**

We will usually take no more than **10 business days** to finish our investigation and make any necessary adjustments to your account. If our investigation takes longer, and you have given us a **written report** of your claim, we will give you a **temporary credit**. This means we will pay into your account all benefits which are missing **or** all benefits except for the first \$50.00. After 10 business days, our investigation cannot take more than 45 days.

#### **POS Errors:**

We will usually take no more than **20 business days** to finish our investigation. If our investigation takes longer, and you have given us a **written report** of your claim, we will give you a **temporary credit**. This means we will pay into your account all benefits which are missing **or** all benefits except for the first \$50.00. After 20 business days, our investigation cannot take more than 90 days.

#### **Letting you know when your claim is denied:**

If we turn down or deny your claim, we will contact you or mail our results to you within **three business days** after we complete our investigation. If we gave you a **temporary credit** and your claim is denied, we will treat the temporary credit as an **overpayment** and will take steps to get back the funds we paid into your account to which you are not entitled. If you disagree with our decision, you may appeal.

#### **Letting you know when your claim is approved:**

If we find that your claim is correct, we will contact you or mail our results to you and fix the error within **one business day** after we finish our investigation. If we gave you a **temporary credit** and we agree with your claim, the credit will become **final**.

#### **Providing you with additional information about our investigation procedures:**

If you need more information about our error claim procedures, you can call us at the Help Desk on (505) 841-4465. Outside the Albuquerque area, call 1-800-283-4465.



**You have the right to receive information that we use to investigate any error claim that you file:**

By making your request through the EBT Help Desk, we will provide you with copies of records that we used to investigate your claim.

**You have the right to appeal our decision if we deny your error claim:**

If you file an error claim and we deny your claim, you have the right to receive a fair hearing or appeal our decision. You can request a hearing by writing us at EBT Project, 10801 Lomas N.E., Albuquerque, 87112 or calling us at (505) 841-4465. Another way to request a fair hearing is to write to the Hearings Bureau, P.O. Box 2348, Santa Fe, 87504. You must request a fair hearing within 93 days from the date our decision is sent to you. If you need more information about the way we investigate errors, you can call us at (505) 841-4465. Outside the Albuquerque area, the number to call is 1-800-283-4465.

#### **WHEN WE MIGHT DISCLOSE INFORMATION ABOUT YOUR EBT ACCOUNT TO OTHERS**

In general, information about your EBT account is kept **secret or confidential**. Only under special circumstances will we provide information about your account to persons not directly involved in handling the account. The types of circumstances under which information would be released include:

- When the information is necessary for completing your purchase or withdrawal,
- When the information is necessary to prove to a merchant that your account is real and active,
- When we are required by federal, state, or local law to provide it for investigative or review purposes,
- When we are required by court order to provide it,
- When the information is needed to help resolve an error claim,
- When you give us written permission to release the information.

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#### **COUNTY OFFICES INVOLVED IN SPECIAL TEST**

##### **Bernalillo County**

S.E. Bernalillo Office  
1401 William, SE  
P.O. Box 543  
Albuquerque, NM 87103  
(505) 841-2600

S.W. Bernalillo Office  
1401 Old Coors, SW  
P.O. Box 12355  
Albuquerque, NM 87195  
(505) 841-2300

N.W. Bernalillo Office  
1011 Lambertson Place, NE  
P.O. Box 25287  
Albuquerque, N.M. 87125  
(505) 841-7700

N.E. Bernalillo Office  
1011 Lambertson Place, NE  
P.O. Box 25287  
Albuquerque, N.M. 87125  
(505) 841-7700

##### **Dona Ana County**

750 N. Motel Boulevard -  
Building A  
P.O. Box 1959  
Las Cruces, N.M. 88004  
(505) 524-6500

##### **South Dona Ana County**

826 N. Main  
P.O. Box 1808  
Anthony, N.M. 88021  
(505) 882-5781

##### **San Juan County**

101 W. Animis  
P.O. Box 5250 Farmington, N.M.  
Farmington, N.M. 87499  
(505) 325-1831

4-26-95

## APPENDIX C

### PROCEDURES FOR CITIBANK'S REGULATION E DEMONSTRATION

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This appendix describes the procedures that Citibank EBT Services (Citibank) used to handle Reg E claims during the demonstration period. With minor exceptions, described below, these procedures are still in place and are identical to those in place prior to March 1995—the start of the demonstration period.

The key players in the Citibank demonstration were the EBT project manager (John Simeone) and his MIS coordinator (Alma Parrish). Other Citibank staff involved in the demonstration included customer service representatives (CSRs) and investigators from Citibank's security unit. All are located at a Citibank facility in Tampa, Florida.

#### **Filing a Reg E Claim**

Citibank's Direct Payment Card (DPC) "Disclosure Statement and User Agreement" advised clients to notify the bank "at once" if they believed their card had been lost or stolen or if someone had withdrawn or might withdraw money from their account without their permission.<sup>1</sup> Clients could notify the bank in writing, but they were encouraged to use an 800 toll-free number to report these or other problems. The toll-free service was available from 8:00 am to 8:00 pm, local time, on Monday through Friday. An automated response unit (ARU) answered calls during off hours (including holidays) and instructed clients to leave a message if they had experienced a loss. A CSR then returned the call the next business day.

In terms of initial handling, Citibank separated claims of lost benefits into two categories: *non-receipt of funds*, usually arising from an ATM misdispense, and *unauthorized usage*. For a non-receipt-of-funds claim, the CSR collected information about the date and location of the ATM transaction; recorded the information on a non-receipt-of-funds confirmation form; and, beginning with the demonstration, filled out the first section of the Reg

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<sup>1</sup> A copy of the disclosure statement is provided at the end of this appendix.

E claim job ticket.<sup>2</sup> The ticket, the confirmation form, and any accompanying documentation (e.g., printouts of system account history and balance screens) were forwarded to the MIS coordinator, who conducted most investigations.

For reports of lost or stolen cards or claims of unauthorized usage, the CSR recorded information about when and where the card was lost and other particulars on a "Report of Stolen Card and/or Unauthorized Usage of Card" and on the first section of the job ticket. This report and accompanying documentation were forwarded to the MIS coordinator. The CSR asked the claimant to provide a written report of what happened in his or her own words within ten days, and also suggested that the claimant file a police report.

Although the basics of this process remain the same following the completion of the demonstration, Citibank has adopted the job ticket as a permanent part of their procedures. They also discontinued use of the confirmation of non-receipt of funds form as it duplicated information being recorded on the job ticket.

#### **Followup Contact with Claimant**

Generally, there was no immediate followup contact with the claimant. Rather, the MIS coordinator first collected other information, as described in the next section.

#### **Further Processing and Investigation**

Once the MIS coordinator received the job ticket and accompanying documentation, she or an assistant used an administrative terminal to look up and print system information about the transaction(s) in question. This search began with an on-line balance inquiry and then progressed to a screen that displayed all transactions made against the client's account over a time interval specified by the user. Each transaction in question was then selected to display a "transaction detail" screen. This screen indicated the requested and completed dollar amounts of the transaction.

For client claims of ATM misdisperse, the MIS coordinator filed a Citibank claim against the network (Citishare or Pulse) that routed the transaction, specifying the date, location, and dollar amount of the transaction in question. If the ATM owner verified the misdisperse,

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<sup>2</sup> A copy of the job ticket is provided at the end of this appendix.

funds were shifted to Citibank to cover the misdispende. If the misdispende was not verified, Citibank received notification from the network that its claim was denied. The amount of time required to complete this process, which varied considerably by network, could take as long as 45 days. When the process took longer than ten days to complete, a provisional credit was issued. The provisional credit was issued in the full amount for cases of misdispende; the \$50 liability was applied only to claims involving unauthorized card usage.

For claims of lost or stolen cards and unauthorized transactions, the MIS coordinator could use the administrative terminal in her office to print a 6- to 12-month listing of the person's account history. This listing was used to see what kind of pattern of withdrawals existed prior to the reported loss.

At this point, if she had any question about the reported claim, the coordinator phoned the claimant and questioned him or her about the problem. She also asked whether the person had ever compromised their PIN (e.g., loaned the card to anyone or told anyone the PIN number). The claimant was reminded to submit a written statement, and the coordinator sometimes suggested that a police report be filed. Clients sometimes changed their stories or dropped their claims after being asked to file a police report. Clients also complained about having to submit a written statement, although the disclosure notice did indicate that written statements were required. The MIS coordinator then reviewed the client's statements and reports, looking for inconsistencies and implausible stories. If a written statement was not submitted within ten days of the date of the claim, the claim was denied. If a statement arrived after the tenth day, however, the coordinator re-opened the case and gave it further consideration.

The MIS coordinator handled about two-thirds of the claims of unauthorized usage herself, but sent the rest to Citibank's security unit for additional consultation or investigation. She also consulted the EBT project manager on questionable cases. If a claimant's story was consistent and credible, the project manager approved payment of the loss, minus the client's \$50 liability.<sup>3</sup> The money was either credited to the person's EBT account or a check was sent.

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<sup>3</sup> If the client reported the loss more than two days after its discovery, his or her maximum liability increased from \$50 to \$500.

As mentioned above, the coordinator referred cases that needed additional investigation to the security investigators, two former New York City policemen. The investigators would ask specific questions about the details of the reported loss and any previous problems with card usage. They also asked who had access to the card and PIN. Copies of ATM videos were requested occasionally, although ATM cameras are often broken, turned off, or have no tape. One investigator traveled to Texas during the demonstration to investigate a case.

Once its investigation was complete, the security unit sent a memorandum to the MIS coordinator summarizing what was learned and indicating a recommended action on the claim (i.e., approve or deny). The investigators said that they based their recommendations on a certain amount of judgment and instinct.

### **Notifying Claimant of Decision**

Once a decision about a claim was made, the MIS coordinator wrote a brief letter to the client reporting Citibank's decision. If the claim was approved, the letter referenced the date of the claim and stated that an error or unauthorized transaction did occur on that day and that the bank was crediting the account for a specified amount. If denied, the letter again referenced the date of the claim and said that the bank would not be crediting the client's account because the transaction in question either did not occur or was valid. The letter also said the claimant could request the documentation used by the bank in reaching its decision.

Citibank has incorporated one additional step to the process for denied claims in order to ensure that it is meeting regulations that the card holder be "notified of a decision within 10 days." On or before the tenth day, the coordinator now calls the card holder to inform them of the denial decision. This step was implemented because the letter is usually sent on the tenth day, but not received by the card holder until after the tenth day.

### **Providing Provisional Credits**

When a claim was approved, the MIS coordinator prepared an "EBT Adjustment Request" indicating the customer's name and card number, reason for the adjustment, adjustment amount, and date of request. This request was used by the lead CSR to enter the adjustment at an administrative terminal, thereby crediting the customer's account balance by the adjustment amount. The adjustment request form (now signed by the CSR to indicate the request was

made) and a printout of a balance inquiry sheet for the client's account (verifying that the credit was applied) was then added to the claim file.

The same procedures were used when a provisional credit was provided for claims that could not be thoroughly investigated prior to the Reg E deadlines.

### **Recovering a Provisional Credit**

If a credit was issued, but documentation from the investigation then failed to support the client's claim of lost funds, the MIS coordinator asked the lead CSR to debit the client's DPC account for the amount of the provisional credit. A claim rejection letter was then sent to the client.

Citibank's DPC system does not handle food stamp or AFDC benefits, so recovery of funds was a bit more straightforward than in New Jersey and New Mexico; Citibank generally debited the client's account for the full amount of the credit immediately. The process was not entirely without risk, however. For example, the full amount of the credit might not be available in the account, in which instances Citibank had first claim on any new deposit. The card holder might also go off the DPC system and return to benefit receipt by check. To date, the federal government has not allowed Citibank to recover funds from a participant's check. Thus, Citibank must wait for that individual to return to the DPC system under the same account number. If an individual establishes a new DPC account, Citibank is unable to recover the funds associated with the old account.

### **Handling Client Appeals**

If a claimant disputed the bank's decision to deny a claim, he or she could appeal the decision to the EBT project manager. If the project manager supported the original decision, the client's next recourse was legal action.

### **Corrective Action Procedures**

Citibank reserves the right to take fraudulent or careless cardholders off the DPC system and return them to the paper check system. This was not necessary during the demonstration. Citibank has, however, removed a number of clients from the DPC system in response to their verbal abuse of the CSRs. In addition, other clients have been warned about

abusive language, but not removed. The guidelines regarding when to apply corrective actions are not rigid; the action depends on the severity of the abusive behavior.

### **Tracking Reg E Claims**

Information from the Reg E job ticket used by Citibank during the demonstration provided data for the evaluation. Citibank, however, is continuing use of a modified job ticket for tracking claims. The paper job ticket helped the MIS coordinator by summarizing key information about the claim and action(s) taken by the bank in a single document.

In addition to the job ticket, the EBT project manager maintains a spreadsheet that lists each Reg E claim filed since the DPC system was implemented. Monthly printouts of the spreadsheet track how many claims have been filed and the average cost per case month arising from replaced benefits. Citibank is also exploring options for automated tracking systems, as their client base expands.



## **DIRECT PAYMENT CARD DISCLOSURE STATEMENT AND USER AGREEMENT**

**You have elected to receive your benefits through the Direct Payment Card system.** The Direct Payment Card is a way to access your government benefit or payment instead of receiving a check or a direct deposit to your bank account. As a recipient of a government benefit or payment, your rights and obligations concerning the amount you receive and your qualifications to receive it are controlled by the laws and regulations that apply to that government program. **If you have any questions about your rights and obligations under any government program, you should contact the government agency that administers the program.**

Your rights and obligations concerning your use of the Direct Payment Card and the Direct Payment Card system, however, are controlled by this User Agreement. When we use the words "you" and "your", we are referring to the person authorized to use the Direct Payment Card to access government benefits. When we use the words "we", "us" and "our", we are referring to Citibank, N.A. (New York) and its subsidiaries and related corporations that provide the Direct Payment Card system. When we use the word "Card", we are referring to the Direct Payment

- (a) Withdraw cash through participating retailers or ATMs.
- (b) Pay for purchases at participating retailers.
- (c) Check your benefit balance through ATMs.

**LIMITATIONS:** You cannot access more funds than are available to you in your benefit balance. The transaction you request will not be processed if you have an insufficient benefit balance. In the event that an ATM issues more funds than you have benefits available, you may be liable for such over-issuances under the laws or regulations controlling your benefit program. The Card is issued under a Pilot Program through the U.S. Department of Treasury, Financial Management Service.

**CHARGES:** You will be charged \$3.00 a month for the services provided by the Card. Although there is typically no charge for using the Card at retailers, retailer practices may vary and a transaction fee may be charged. You can use the Card without charges one time per month at ATMs, including checking your benefit balance. After one use, you will be charged 95¢ for each additional use of an ATM in a given month. Some A.T.M.s advise you they will charge an additional fee use that machine only if



4. **Liability for Unauthorized Transactions.** You agree to use the Card for the purposes outlined in this Agreement. Tell us AT ONCE if you believe your Card has been lost, stolen, or if someone has possibly learned your P.I.N. Telephoning us promptly after noticing your loss is the best way to keep your potential losses to a minimum. If you tell us within two (2) Business Days, you cannot lose more than Fifty Dollars (\$50.00) if someone uses your Card without your authorization.

If you do NOT tell us within two (2) Business Days after you learn of the loss or theft of your Card, and we can establish we could have prevented the unauthorized transactions if you had promptly told us, you could lose as much as \$500.00.

Also, if you elect to receive a statement and your statement shows transactions that you did not make or authorize, tell us at once. If you do not tell us within sixty (60) calendar days after the statement was mailed to you, you may not get back any money you lost after the sixty (60) calendar days from unauthorized transactions, if we can establish that we could have prevented the unauthorized transactions if you had told us in time.

If extenuating circumstances (such as a long trip or a hospital stay) keep you from telling us, we will extend the time periods for notifying us a reasonable time.

If you believe your Card has been lost or stolen or that someone has withdrawn or may withdraw money from your benefit allotment without your permission, call us at 1-800-CARD US 1 (1-800-227-3871) during Business Hours. Or write: Direct Payment Card Program/Citibank, P.O. Box 30201, Tampa, FL 33630. **YOU CAN REPORT YOUR CARD AS LOST OR STOLEN AT ANY TIME, INCLUDING NON-BUSINESS DAYS, BY CALLING US AT 1-800 CARD-US 1 (1-800-227-3871).**

5. **Deceased Cardholder.** Funds that are deposited after the death of the cardholder are subject to reclamation by the depositing Government Agency. Anyone who receives those funds after the death of the cardholder will be responsible for those funds to the depositing Government Agency.

6. **In Case of Errors or Inquiries About Your Transactions.**

Telephone us at

**1-800-CARD-US 1 (1-800-227-3871)**

or write to us at

Direct Payment Card Program/Citibank  
P.O. Box 30201  
Tampa, FL 33630

Contact us if you think your statement or receipt is wrong or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than sixty (60) days after the date of the receipt or the date we sent the FIRST statement on which the problem or error appeared. Be prepared to:

- (a) Tell us your name and Card number.
- (b) Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- (c) Tell us the dollar amount of the suspected error.

If you tell us orally, we will require that you send us your complaint or questions in writing within ten (10) Business Days.

We will tell you the results of our investigation within ten (10) Business Days after we hear from you (or twenty (20) Business Days, if the transaction took place at a retailer) and will correct any error promptly. If we need more time, however, we may take up to 45 calendar days to investigate your complaint or question. If we decide to do this, we will recredit your benefit balance within ten (10) Business Days for the amount you think is in error, so that you will have use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and if we do not receive it within ten (10) Business Days, we may not recredit your benefit balance.

If we decide that there was no error, we will send you a written explanation within three (3) Business Days after we finish our investigation. You may ask for copies of the documents that we used in our investigation.

7. **Amendments.** We may amend or change the terms of this Agreement after giving you thirty (30) days notice. Any notice required to be given by this Agreement will be a properly addressed and stamped letter mailed to your Card file address of record (you must promptly notify us and the appropriate government agency of any change of address).

8. **Cancellation of Agreement.** This Agreement may be canceled by you at any time by giving written notice of cancellation. Your cancellation will be effective within two (2) Business Days after you surrender your Card. You will remain responsible and liable for any transactions initiated prior to the effective date of the cancellation. Your use of the Card will also terminate immediately with respect to any benefit program for which you become ineligible. If you have any amount remaining in your benefit allotment which you are entitled to receive after this Agreement is canceled or your right to use the Card is terminated, it will be sent to you in a check.

Your Card is our property and you agree to surrender it upon our demand.

9. **Disclosure of Benefit Information.** We will keep information about your transactions, balances and statements confidential. However, we will disclose information to third parties in order to comply with government agency or court orders (we will send notification to your address on our records unless the governmental agency has an obligation to notify you or has directed us not to notify you).

10. **Legal Provisions.** The interpretation and enforcement of this Agreement shall be in conformity with the laws of the State of New York and the rules and regulations of the federal government and any governmental agency administering a benefit program in which you participate, as now in effect or as they may be amended.

If any provision of this Agreement is held invalid under law, only that provision will be invalidated; the remainder of this Agreement will be valid.

This Agreement is binding upon and enforceable against your heirs and legal representatives or successors.

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**JOB TICKET**  
**REGULATION E CLAIMS**  
**DIRECT PAYMENT CARD (TEXAS)**

*Please complete and attach to claim file.*

BATCH 01-03/

**Part A: Claimant Information**

Ticket #: TX-XXXX

04-07/

\_\_\_\_\_/\_\_\_\_\_/19  
Claimant Name (last, first, MI) 08-22/ 23-37/ Date of Birth (mm/dd/yy) 38-43/ Social Security Number 44-62/

\_\_\_\_\_  
Claimant's Home Address (street, city, zip) 53-87/ 88-107/ 108-117/

\_\_\_\_\_  
Claimant's Mailing Address (street, city, zip) 118-152/ 153-172/ 173-181/

(\_\_\_\_\_) - \_\_\_\_\_  
Claimant's Telephone # 182-191/ Claimant's Card Number 192-207/

(\_\_\_\_\_) - \_\_\_\_\_  
Claimant Contact Telephone # 208-217/ EDA Number 218-229/

Benefit Type: (Check all that apply) ☐ 1 SSI 230/ ☐ 2 SSA 231/ ☐ 3 VA 232/ ☐ 4 OPM 233/ ☐ 5 RR Retirement 234/ ☐ 6 Pay TM 235/

**Part B: Initial Claim Information**

\_\_\_\_\_/\_\_\_\_\_/19  
Date Discovered (mm/dd/yy) 236-241/

\_\_\_\_\_/\_\_\_\_\_/19  
Date Happened (mm/dd/yy) 242-247/

\_\_\_\_\_/\_\_\_\_\_/19  
Date Reported (mm/dd/yy) 248-253/

**Reason (Check all that apply)**

- ☐ 1 Lost/stolen card 254/  
☐ 2 Unauthorized usage 255/  
☐ 3 Non-receipt of funds 256/  
☐ 4 "Something wrong" with account 257/

**Loss Amount (reported by client):**

\$ \_\_\_\_\_ 258-263/

**Other Comments (may be continued on back)**

313-314/  
315-316/  
317-318/  
319-320/  
321-322/  
323-324/

Trx at POS: #: \_\_\_\_\_ Trx total \$ \_\_\_\_\_ Loss total \$ \_\_\_\_\_  
264-265/ 266-271/ 272-277/

Trx at ATM: #: \_\_\_\_\_ Trx total \$ \_\_\_\_\_ Loss total \$ \_\_\_\_\_  
278-279/ 280-285/ 286-291/

Time spent on initial contact/claim/questionnaire:

Date (mm/dd/yy)	Worker Initials	Action Code	Minutes Spent	Claim/ Appeal Approved	Claim/ Appeal Denied	Adjusted Dollar Amount to/from Claimant	Explanation of Action/Comments
292-297/	298-299/	1 300/	301-303/	<input type="checkbox"/>	<input type="checkbox"/>	305-310/	311-312/



## Part C: Claim Processing History

Ticket #: TX-\_\_\_\_\_

Please complete for each action taken. See Action Codes below.

Date (mm/dd/yy)	Worker Initials	Action Code	Minutes Spent	Check One (if applicable)		Adjusted Dollar Amount to/from Claimant	Explanation of Action/Comments
				Claim/ Appeal Approved	Claim/ Appeal Denied		
325-330/	331-332/	333-334/	335-337/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	338/	345-346/
347-352/	353-354/	355-356/	357-359/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	360/	367-368/
369-374/	375-376/	377-378/	379-381/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	382/	389-390/
391-396/	397-398/	399-400/	401-403/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	404/	411-412/
413-418/	419-420/	421-422/	423-425/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	426/	433-434/
435-440/	441-442/	443-444/	445-447/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	448/	455-456/
457-462/	463-464/	465-466/	467-469/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	470/	477-478/
479-484/	485-486/	487-488/	489-491/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	492/	499-500/
501-506/	507-508/	509-510/	511-513/	<input type="checkbox"/> 1	<input type="checkbox"/> 2	514/	521-522/

IF YOU ARE USING A CONTINUATION SHEET, CHECK HERE. ☐ 523/

## Action Codes:

- |  |   |
|--|---|
| 1. Initial contact/claim/questionnaire   | 7. Claim disapproved/Notice sent                        |
| 2. Interview by Reg E coordinator        | 8. Recovery of provisional credit initiated/Notice sent |
| 3. Other investigation                   | 9. Referral for prosecution                             |
| 4. File request with ATM owner           | 10. Terminate from EBT                                  |
| 5. Provisional credit issued/Notice sent | 11. Case documentation                                  |
| 6. Claim approved/Notice sent            | 12. Client appeal                                       |
|  | 13. Other (Explain in action/comments section)          |

## Part D: Claim Investigation

Date(s) claimant documentation received:

 \_\_\_\_\_ / \_\_\_\_\_ /19\_\_\_\_\_  
 month      day      year      524-529/

Client's written statement

 \_\_\_\_\_ / \_\_\_\_\_ /19\_\_\_\_\_  
 month      day      year      530-535/

Police Report

 \_\_\_\_\_ / \_\_\_\_\_ /19\_\_\_\_\_  
 month      day      year      536-541/

(Specify:) \_\_\_\_\_

542-543/

544-545/

**Part E: Final Disposition**

Ticket #: TX-\_\_\_\_\_

**Verified (or Accepted) Circumstances: (Check all that apply)**

- 546/ ☐ 1 No loss involved; client agrees
- 547/ ☐ 2 Possible/probable unauthorized use of card
- 548/ ☐ 3 Lost/stolen card
- 549/ ☐ 4 PIN not safeguarded
- 550/ ☐ 5 ATM misdispense
- 551/ ☐ 6 System error
- 552/ ☐ 7 Store error (e.g., double debit, amount wrong)
- 789/ ☐ 1 Employee theft (*check one*)
- 553/ ☐ 2 Retailer
- ☐ 3 Vendor
- 554/ ☐ 4 Manual card entry
- 555/ ☐ 5 Forced transaction
- 556/ ☐ 6 Other (*Specify:*) \_\_\_\_\_ 557-558/
- \_\_\_\_\_ 559-560/

**Action:**

- 561/ ☐ 1 APPROVED for \$ \_\_\_\_\_ . \_\_\_\_\_ 562-567/ Client Reg E liability is \$ \_\_\_\_\_ . \_\_\_\_\_ 568-573/
- ☐ 2 DENIED due to: (*Check all that apply*)
- 574/ ☐ 1 Missed deadline for reporting Regulation E claim
- 575/ ☐ 2 Missed deadline for providing documentation
- 576/ ☐ 3 Evidence confirmed that no loss occurred
- 577/ ☐ 4 Client made a fraudulent report
- 578/ ☐ 5 Client withdrew claim
- 579/ ☐ 6 No change in withdrawal pattern
- 580/ ☐ 7 PIN given to user
- 581/ ☐ 8 Other (*Specify:*) \_\_\_\_\_ 582-583/
- \_\_\_\_\_ 584-585/

**Client corrective action: (Check all that apply)**

- 586/ ☐ 1 Replace card
- 587/ ☐ 2 Change PIN
- 588/ ☐ 3 Charge for new card
- 0589/ ☐ 4 Return to paper checks
- 590/ ☐ 5 Other (*Specify:*) \_\_\_\_\_ 591-592/
- \_\_\_\_\_ 593-594/

**Other Comments**

595-596/  
597-598/  
599-600/

## **APPENDIX D**

### **CLAIM HANDLING PROCEDURES IN CAMDEN COUNTY**

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This appendix describes claim handling procedures in Camden County, the comparison site for the Reg E demonstrations, and compares these procedures to Reg E procedures in the other demonstration sites.

The key players in Camden County included Les Spector, MIS coordinator, and Monica Ward, Food Stamp Program administrator.

#### **Filing a Claim**

The Camden County Families First Disclosure was mailed to all clients at the beginning of the demonstration period and given to new clients during EBT training. The three-page notice instructed clients to contact the Customer Service Help Desk (at a toll free number) to report a lost or stolen card as well as lost or stolen benefits from their Families First account. The Help Desk was open seven days per week, 24 hours per day.

Because Reg E was not implemented in Camden County, the disclosure notice did not provide the same level of detail as the Hudson County disclosure notice, and it did not discuss "filing a claim." Instead, the Camden notice stated that, "If benefits were lost or stolen from your account, in some instances these benefits may be replaced."<sup>1</sup> The Camden disclosure also said, however, that if a loss was experienced and the client's card was involved in the transaction, then any benefits lost before the Help Desk was notified of the problem would not be replaced. The disclosure instructed clients that, if they reported missing benefits or an ATM misdispense, an investigation would be conducted and they would be advised as to whether or not they were entitled to have some or all of their benefits replaced. Both the Hudson and the Camden disclosure notices informed clients of their right to appeal a decision.

As with Hudson County, when a client called the Help Desk the CSR determined which county they were calling from. If from Camden County and a loss of benefits was involved,

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<sup>1</sup> A copy of the disclosure notice is included at the end of this appendix.

the CSR completed the "Camden County Data Collection Form,"<sup>2</sup> which is similar to the Hudson County Claim form. Also, as with Hudson County, if the claim involved an ATM misdisbursement that Deluxe would investigate, a second form was completed for Deluxe's investigation. All Camden County Data Collection Forms were put in a basket and sent to Abt Associates once per month. The MIS coordinator and food stamp administrator in Camden County did not receive copies of the data collection forms because they were not investigating these claims as Reg E claims.

For reports of a lost or stolen card, the first step that the Deluxe CSRs took was to change the status of the card in the system, or "hotcard" it, so that it could no longer be used. Camden County clients were told to see their caseworker for a referral to the card issuance unit in order to receive a new card. (This instruction was the same for Hudson County clients unless there had been a loss of benefits, in which case the clients had to first report to the Hudson County Investigative Unit).

Although the general rule was for recipients to call the Help Desk to report problems with their EBT accounts, county officials pointed out that card issuance staff occasionally looked up information on the Deluxe system if a client complained about a discrepancy, to determine if the problem involved the state's benefit authorization system. The county MIS coordinator and food stamp administrator also researched discrepancies in some cases. Camden County staff did not fill out data collection forms for the evaluation.

### **Followup With the Claimant**

Generally, additional followup with the recipient was not necessary in Camden County. The disclosure notice stated, however, that a client might have to provide a written statement regarding their claim. According to Deluxe, they did not ask recipients for such statements.

### **Further Processing and Investigation**

In terms of investigating a claim of ATM misdisbursement, Deluxe handled investigations for both Camden and Hudson in the same manner. Once a claim of ATM misdisbursement was made, the claim was sent to the settlement services area. There the claim was entered on the

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<sup>2</sup> A copy of the Camden County Data Collection Form is included at the end of this appendix.

Deluxe system and waited for five days while the ATM owner balanced their machine. If the claim was neither denied nor approved within five days, Deluxe initiated an adjustment against the ATM owner through the MAC network. The paper adjustment form was usually faxed to MAC with mail back-up. The ATM owner then had 30 days to settle the claim. If time permitted, the settlement services staff sometimes called the ATM owner directly to find out the status of a claim.

In cases of an error at a POS terminal, such as a double debit, clients in Camden County were told to call the Help Desk. Help Desk staff looked up the transaction on the history screen, and if they could verify that there indeed was a double transaction, the client was told to go back to the store with his or her receipts and report the problem. Recipients were also told that if they experienced difficulties with the store personnel, they should call the Help Desk again while in the store. There were some instances in which county personnel called clients to inform them of a store error (e.g., if the retailer notified the county first). As a general rule, recipients could see their caseworker for assistance in dealing with Deluxe or the store.

For all other claims of loss of benefits, the client was not eligible for reimbursement in Camden County because Camden was not operating in a Reg E environment. The only exception was in a case of a forced transaction at the ATM, which then became a police matter. According to county officials, they were not aware of any cases of a true forced transaction during the demonstration.

### **Notifying Clients**

Just as in Hudson County, Deluxe prepared a claim resolution form and faxed it to Camden County once a claim was resolved. If the claim was approved, the form informed the County of the money that was due the client. Deluxe then transferred the funds via direct deposit to the County's account. The County's fiscal unit mailed a check for the same amount to the client. (In Hudson County, the client received reimbursement via electronic transfer through the EBT system.) According to Deluxe, clients usually called the Help Desk to check on the status of their claim of ATM misdispense. Deluxe experienced significant callback traffic from Camden during the demonstration, and virtually none for Hudson. For this purpose, a



sheet indicating the current status of all misdisbursement claims was kept on the floor, to which CSRs could refer.

For claims of unauthorized card usage, clients were notified that these losses were not reimbursable at the time of their initial call. If not satisfied with the answer from the Help Desk, clients sometimes called their caseworker. The caseworker would make sure that the problem was not with the state's eligibility system.

### **Providing a Provisional Credit**

Because Camden County's EBT system did not operate under Reg E protections, clients were not eligible for provisional credits. County clients with ATM misdisbursement claims therefore had to wait much longer than Hudson County clients to receive funds from approved claims of ATM misdisbursement. It could take Deluxe Data Systems 30 to 45 days to fully investigate a claim of ATM misdisbursement, whereas clients in the Reg E counties received provisional credits after 10 days.

### **Handling Client Appeals**

As in Hudson County and New Mexico, adverse decisions in Camden County were subject to the fair hearing process. No appeals related to a loss of benefits in Camden County, however, were filed during the demonstration.

### **Corrective Action Procedures**

There were no corrective action procedures in place in Camden County during the demonstration. Although there had been discussion of requiring clients to be retrained or to have a representative payee if they had difficulty using their card, neither of these actions was implemented.

### **Tracking Claims**

Camden County was not responsible for tracking any claims of loss. Deluxe handled all claims of ATM misdisbursement and, for the demonstration period, filled out claim reports for all claims of lost benefits. These claim reports were sent to evaluation staff at Abt Associates.

## **CAMDEN COUNTY FAMILIES FIRST DISCLOSURE**

You live in an area that no longer delivers paper welfare checks or food stamp coupons. Instead, your monthly benefits are available electronically using a special plastic card that looks like a regular bank or credit card, and a secret code number called a PIN (Personal Identification Number). Plans are underway to begin using this type of system for delivering government benefits throughout the country. The general name for the type of benefit delivery system your area is using is Families First.

Using your card and PIN allows you to pay for food purchases in grocery stores without having to use food stamp coupons or pay cash, as long as you have funds remaining in your food stamp account. You can also use your card to pay for purchases or make withdrawals from your AFDC allowance using Point of Sale (POS) devices in certain stores or Automated Teller Machines (ATMs) operated by banks.

You should have received a separate pamphlet that provides more detailed information about how to use the Families First system and information about the locations where you can use your card to pay for food purchases or make withdrawals from your cash account. The purpose of this Disclosure is to provide you with more detailed information about your rights and responsibilities under the Families First system.

You should read through this Disclosure carefully so that you can become familiar with what your rights and responsibilities are. Then put this in a safe place so that you can refer to it later if a problem comes up and you don't remember what you are supposed to do or what actions the agency is required to take when you report a problem.

Some of the topics we will talk about in this Disclosure are:

- Steps to Take to Protect Your Families First Card and PIN
- Security Measures to Take When Using Your Families First Card
- Your Rights and Responsibilities in the Families First system, including:

- Your right to access your benefits without paying any fees or making any purchases;
- Your right to obtain information about your Families First account;
- Your right to convert your food stamp Families First benefits to coupons when moving out of the Families First project area;
- What to do if your Families First card is lost or stolen or you need to change your PIN; and
- How to report an error or loss of funds and the agency's responsibilities when they receive your report.

### **YOU HAVE A RESPONSIBILITY TO TAKE CARE OF YOUR FAMILIES FIRST CARD:**

Always keep your card in a safe place. Do not let it come into contact with other bank or credit cards, electronic equipment like TV's or microwaves, or direct sunlight. Any of these things can damage the black magnetic strip on the back of the card so that it will no longer be "readable" by the POS or ATM device. If the magnetic strip does become damaged, you will need to request a new card.

### **YOU HAVE A RESPONSIBILITY TO KEEP YOUR PIN A SECRET:**

Your FAMILIES FIRST card will only work with the personal identification number (PIN) that you chose. Your PIN is your own secret code and helps to prevent anyone else from getting your benefits, even if your Families First card is lost or stolen. Do not give your PIN to anyone, including your caseworker, a store employee, a bank employee, anyone you call to report a problem with your Families First account, or a family member (unless you want that person to be able to spend your benefits).

Try to memorize your PIN so that you won't need to write it down anywhere. If you do have to write it down, keep your card and PIN in separate locations. Do not write your PIN on the Families First card, or on the protective sleeve you keep the card in, or on anything else you keep near your card.

### **YOU ARE RESPONSIBLE IF YOU GIVE YOUR CARD AND PIN TO ANOTHER PERSON, FRIEND OR RELATIVE:**

If someone else uses both your card and your PIN and they take some or all of your benefits without your permission, any of the benefits that were taken will not be replaced. This means, for example, that if you provide your card and PIN to a neighbor to purchase some groceries for you and the neighbor not only buys the items you requested but also pays for her own purchases with your card, the benefits you lost because of your neighbor's action will not be replaced.

### **WITHDRAWING YOUR PERMISSION TO USE YOUR CARD AND PIN:**

If there is someone in your household who knows your PIN or has his/her own card for your account, and that person moves or you no longer want that individual to be able to use your card, you should call the Customer Service Help Desk immediately at 1-800-264-6589. Once you call, a hold will be placed on your Families First card so that no one else can withdraw your benefits. Arrangements will be made to get you a new PIN as soon as you visit the Camden County Board of Social Services. Once you get a new PIN, you will be able to get your benefits. If the Help Desk fails to act when you tell them that a friend or relative no longer has permission to use your card and if benefits are taken without your permission, any benefits that are lost will be replaced.

### **YOU ARE RESPONSIBLE FOR REPORTING A LOST OR STOLEN CARD IMMEDIATELY:**

Even though your Families First card cannot be used without your PIN, you should report a lost or stolen card as soon as you discover the loss. To report that your card is missing, call the Customer Service Help Desk immediately at 1-800-264-6589. Only by calling this number can we

## **BE SURE TO ALWAYS TAKE YOUR CARD WITH YOU AFTER YOU HAVE COMPLETED YOUR TRANSACTION.**

If you leave a store and realize that you forgot to get your card back from the clerk, you should either return to the store immediately or call the store manager and ask that he hold the card until you can come back to get it. If you can't remember where it was that you left the card, call the Customer Service Help Desk as soon as you realize it is missing so a hold can be placed on your card to prevent anyone from getting your benefits. A new card will be issued to you through the Camden County Board of Social Services after you see a worker.

If you feel like you are being followed after making a withdrawal from an ATM, go immediately to the nearest location, like a store, where there are other people around and call the police.

## **YOUR RIGHTS IN THE FAMILIES FIRST SYSTEM**

### **YOU HAVE THE RIGHT TO CHOOSE YOUR OWN PIN:**

Your PIN is your own secret code for using your Families First card. You have the right to pick out whatever set of four numbers you want to have as your PIN.

### **YOU HAVE THE RIGHT TO FIND OUT YOUR ACCOUNT BALANCE:**

If you want to find out how many benefits are left in your Families First account (your "account balance"), you can call the Balance Hotline at 1-800-997-3333. Your receipt, which is provided after you conduct a transaction, may also provide you with a balance. See your training material for an explanation on other ways to obtain your balance.

### **YOU HAVE THE RIGHT TO RECEIVE A RECEIPT WHENEVER YOU USE YOUR FAMILIES FIRST CARD:**

You should receive a printed receipt each time you use your Families First card at an ATM or a POS machine. The receipt should include the following information:

- the date of the transaction;
- some identification of where the transaction took place; and
- the type and amount of the transaction.

The receipt may also show the balance left in your account after the transaction.

Keep your receipts for at least a month. This will help you to keep track of your remaining balance and may also tell you if an error has occurred.

### **YOU HAVE THE RIGHT TO USE THE FAMILIES FIRST SYSTEM WITHOUT BEING CHARGED ANY FEES/CERTAIN CASH-BACK LIMITATIONS AT POS:**

This means you can use your card to get cash from any participating ATM or POS device for free. You can also use your card in a POS machine to pay for food purchases in a participating grocery store. Stores are permitted to set limits on whether they will let you make cash withdrawals using their POS device. They can also limit the amount of cash they will let you withdraw at one time. If you want to make a cash withdrawal using a POS device, the store has to pay you the full amount you request in cash providing it is not larger than the available balance in your Families First account or the store's limit. You cannot be required to take a store credit or coupon for part of the amount you want. If a store violates these rights, you should contact us at 1-800-264-6589 so that we can take appropriate steps to correct the problem.

You should have received a list of the stores in your area that allow cash withdrawals and any limits that apply. If you need a new list, call your Camden County Board of Social Services worker.

### **YOU HAVE THE RIGHT TO USE YOUR FAMILIES FIRST CARD THROUGHOUT THE MONTH:**

You have the right to use your Families First card as many times as you want to get cash from an ATM or a POS device or to pay for food purchases using your card. This means that you do not have to spend all your food stamp benefits or withdraw all your cash benefits at the beginning of the month. You can decide when to withdraw your benefits and you can spread your withdrawals out over the whole month. You can even choose to leave some of your benefits in your account from month to month.

When using your food stamp benefits, stores cannot require you to purchase any minimum amount of items in order to use your Families First card. They also cannot limit the number of food stamp purchases you can make in a month with your Families First card. Your Families First food stamp purchases will be limited to your available food stamp balance.

### **YOU HAVE THE RIGHT TO GET A REPLACEMENT CARD OR PIN:**

If you report to the Help Desk that your card has been lost, stolen, or damaged, a hold will be placed on your card so that no one else can withdraw your benefits. In addition, you will be referred to your Camden County Board of Social Services worker so you can obtain a new card the same day you visit the agency. If your card is lost or stolen you will not be charged a fee to replace it. However, if this occurs more than one time, you may have to pay a replacement fee.

If you report that you cannot remember your PIN or need to change your PIN for any reason, you will be provided an explanation on how to choose a new PIN.

### **YOU HAVE THE RIGHT TO CHANGE YOUR FOOD STAMP FAMILIES FIRST BENEFITS TO FOOD STAMP COUPONS IF YOU ARE MOVING OUT OF THE FAMILIES FIRST PROJECT AREA:**

If you move out of Camden County you should contact your caseworker before you move so you can be advised as to how you can get your benefits. If you are moving into a county which does not now use Families First to provide benefits, you must contact your Camden County caseworker to request that any remaining Food Stamp benefits be changed to paper coupons. This will allow you to use your Food Stamp benefits in the county where you will be living. Your Families First Food Stamp account will be closed and your Food Stamp benefits changed the day you notify your Camden County Board of Social Services caseworker and appear in the agency. Your Families First AFDC account will not be changed since you can use ATMs throughout New Jersey to get your benefits. However, if you move out of New Jersey, you should withdraw all your cash benefits before you move.

## **REPORTING A LOST OR STOLEN CARD OR PIN**

If your Families First card is lost or stolen, you should report the loss or theft immediately by calling the Customer Service Help Desk at 1-800-264-6589 so that a hold can be placed on your card. Contacting the Help Desk quickly can reduce the chances of someone using your card and getting to your benefits. The Help Desk is open 7 days a week, 24 hours a day. You can call this number at no cost to you even if you are at a pay phone. Make sure you report a lost or stolen card right away.

If a hold is placed on your card, you will be told you how to get a replacement card when you visit the Camden County Board of Social Services. Any benefits taken from your account after you have reported the loss or theft of your card to the Help Desk will be replaced.

## **WHAT TO DO IF BENEFITS ARE MISSING FROM YOUR FAMILIES FIRST ACCOUNT**

If you notice a mistake in your account balance, you should report it immediately by calling the Customer Service Help Desk at 1-800-264-6589. The Help Desk is open 24 hours a day, seven days a week. You will need to provide the following information when you report the error:

- °Your name and case number;
- °Why you think there is an error and if you think it is because of lost or stolen benefits;
- °Why you think there is an error and how you found out about it; and
- °How many benefits you think are missing from your account or if you need more information to figure out how many benefits are missing.

When you report an error to the Help Desk, you should ask for the name of the person to whom you are speaking. When you report any problem by telephone, you may be asked to give a written statement. You should ask for assistance in preparing a written statement if you need help.

**What if the error was caused by our mistake:**

If an authorized payment is not made into your account or if your benefits are not made available on the scheduled date, we will not charge or penalize you in any way. You should contact the Customer Service Help Desk immediately at 1-800-264-6589 to report the mistake. If it is determined that the error is our mistake, the benefits you are owed will be put into your account. If payment to your account has not yet been authorized, you will be advised to contact your caseworker at the Camden County Board of Social Services.

**What if your benefits were lost or stolen from your Families First account?**

If benefits were lost or stolen from your account, in some instances these benefits may be replaced. However, you must contact the Customer Service Help Desk at 1-800-264-6589 immediately to report the problem. If it is determined that the loss was due to a computer error or fraud by a store clerk or other person involved in the Families First system, the full amount of the benefits taken from your account will be replaced. If you report the loss and it is determined that the use of your card was involved in the transaction, even if you still have the card and were unaware of its having been used by anyone else, benefits that were lost before you notified us of the problem will not be replaced.

**ACTIONS WE WILL TAKE WHEN YOU REPORT A LOSS OR THEFT**

If you report that your card has been lost or stolen, a hold will be placed on your card and on any remaining funds in your Families First account. You will also be told how to get a new card.

If you report that benefits are missing from your account or that the ATM dispensed the wrong amount of money, an investigation will be done on your claim and you will be advised as to whether or not you are entitled to have some or all of your benefits replaced.

If you disagree with the results of the investigation, you have the right to request a fair hearing to appeal the decision. You can request a hearing by writing to either:

Camden County Board of Social Services  
Fair Hearing Unit  
600 Market Street  
Camden, New Jersey 08102

or

New Jersey Division of Family Development  
CN 716  
Trenton, New Jersey 08625

3/22

# Camden County Data Collection Form

ID#: \_\_\_\_\_ 1-4/

BATCH 5-7/

## Section A

HD Rep Name: \_\_\_\_\_

Date of Call: \_\_\_\_/\_\_\_\_/19

8-13/

Time Call Started: \_\_\_\_:\_\_\_\_ (EST) ☐ 1 AM ☐ 2 PM

14-17/

18/

Time Call Ended: \_\_\_\_:\_\_\_\_ (EST) ☐ 1 AM ☐ 2 PM

19-22/

23/

## Section B

Cardholder Name: \_\_\_\_\_ 24-53/

Card #: \_\_\_\_\_ 54-69/ Case #: \_\_\_\_\_ 70-79/

### Circumstances Reported by Client (check all that apply)

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> 1 Lost or stolen card 80/ | <input type="checkbox"/> 3 Non-receipt of funds 82/           | <input type="checkbox"/> 1 Food stamp loss of \$ _____ 84/ 85-90/ |
| <input type="checkbox"/> 2 Unauthorized usage 81/  | <input type="checkbox"/> 4 "Something" wrong with account 83/ | <input type="checkbox"/> 2 AFDC loss of \$ _____ 91/ 92-97/       |

Date problem occurred: \_\_\_\_/\_\_\_\_/19 98-103/ Date discovered: \_\_\_\_/\_\_\_\_/19 104-109/

Did loss occur at: ☐ 1 ATM ☐ 2 POS ☐ 3 ATM and POS ☐ 4 Unknown ☐ 5 No Loss 110/

### Deluxe Verified/Accepted Circumstances (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> 1 ATM misdispense 111/             | <input type="checkbox"/> 1 System error (verified by Deluxe Supervisor) 118/ |
| <input type="checkbox"/> 2 Compromised PIN 112/             | <input type="checkbox"/> 2 Forced transaction 119/                           |
| <input type="checkbox"/> 3 Explained missing funds 113/     | <input type="checkbox"/> 3 Lost card 120/                                    |
| <input type="checkbox"/> 4 Unexplained missing funds 114/   | <input type="checkbox"/> 4 Stolen card 121/                                  |
| <input type="checkbox"/> 5 POS error 115/                   | <input type="checkbox"/> 5 Declined to pursue 122/                           |
| <input type="checkbox"/> 6 Reg E other (specify) _____ 116/ | <input type="checkbox"/> 6 Other (specify) _____ 123/                        |
| _____ 117/  | _____ 124/   |

## Section C

### Actions Taken by Deluxe (check all that apply):

- |   |               |
|---|---------------|
| <input type="checkbox"/> 1 Client recalls making or authorizing use of their card for transaction in question                             | 125/          |
| <input type="checkbox"/> 2 Client told to contact caseworker  | 126/          |
| <input type="checkbox"/> 3 Client told that described loss is not reimbursable  | 127/          |
| <input type="checkbox"/> 4 Client's card status changed to lost, stolen, or damaged so benefits are no longer accessible with its use     | 128/          |
| <input type="checkbox"/> Client told to go to store to have account credited for \$ _____ ( <input type="checkbox"/> 8 Don't know amount) | 129-134/ 135/ |
| <input type="checkbox"/> Other (specify) _____  | 136-137/      |
| <input type="checkbox"/> Client's FSP account credited for \$ _____   | 138-139/      |
| <input type="checkbox"/> Client's AFDC account credited for \$ _____ (for loss at ATM)  | 140-145/      |
| <input type="checkbox"/> Client's AFDC account credited for \$ _____ (for loss at POS)  | 146-151/      |
|   | 152-157/      |
|   | 158/          |
|   | 159/          |
|   | 160/          |

If client's account is credited (for other than ATM misdispense), explain on the back of this form.

**APPENDIX E**  
**IMPACT OF REG E ON BENEFIT REPLACEMENT:**  
**SUPPLEMENTARY EXHIBITS**

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This appendix contains supplementary exhibits to Chapters Three and Four of this report. Specifically:

- Exhibits E-1 through E-11 present, for each demonstration site and program, month-by-month counts of the number of submitted claims of lost benefits, by type of loss.
- Exhibit E-12 presents information on disposition of claims, aggregated across all types of loss.
- Exhibits E-13 through E-15 present information on reasons for claim denial, overall and for losses due to ATM misdispense and system or procedural error.

**Exhibit E-1**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
CAMDEN COUNTY (NJ), CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
Mar 95	6	2			8	
Apr 95	9			1	10	
May 95	7	2			9	
June 95	5	5			10	
July 95	5	4			9	
Aug 95	7	6			13	
Sept 95	4	1			5	
Oct 95	7	16			23	
Nov 95	4	5	2		11	
Dec 95	2	8			10	
Jan 96	7	4			11	
Feb 96	1	5	1		7	
<b>First 6 months</b>	<b>39</b>	<b>19</b>	<b>0</b>	<b>1</b>	<b>59</b>	<b>0</b>
<b>Final 6 months</b>	<b>25</b>	<b>39</b>	<b>3</b>	<b>0</b>	<b>67</b>	<b>0</b>
<b>Total</b>	<b>64</b>	<b>58</b>	<b>3</b>	<b>1</b>	<b>126</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 12,366 households.

**Exhibit E-2**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
CAMDEN COUNTY (NJ), FOOD STAMP BENEFITS**

Month	Type of Loss			Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	System or Procedural Error	Forced Transaction or Robbery		
Mar 95	5	1		6	
Apr 95	11	1		12	
May 95	9			9	
June 95	9			9	
July 95	6			6	
Aug 95	4	1		5	
Sept 95	9			9	
Oct 95	13	2		15	
Nov 95	2			2	
Dec 95	5			5	
Jan 96	3			3	
Feb 96	2			2	
<b>First 6 months</b>	<b>44</b>	<b>3</b>	<b>0</b>	<b>47</b>	<b>0</b>
<b>Final 6 months</b>	<b>34</b>	<b>2</b>	<b>0</b>	<b>36</b>	<b>0</b>
<b>Total</b>	<b>78</b>	<b>5</b>	<b>0</b>	<b>83</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 21,776 households.



**Exhibit E-3**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
SAN JUAN COUNTY (NM), CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
May 95		12	1		13	
June 95	1	2	1		4	
July 95	1	1			2	
Aug 95		4			4	
Sept 95		3			3	
Oct 95		4	1		5	
Nov 95		4			4	
Dec 95	1	6			7	
Jan 96		3			3	
Feb 96	1	3	1		5	
Mar 96	3	6			9	
Apr 96	1				1	
<b>First 6 months</b>	<b>2</b>	<b>26</b>	<b>3</b>	<b>0</b>	<b>31</b>	<b>0</b>
<b>Final 6 months</b>	<b>6</b>	<b>22</b>	<b>1</b>	<b>0</b>	<b>29</b>	<b>0</b>
<b>Total</b>	<b>8</b>	<b>48</b>	<b>4</b>	<b>0</b>	<b>60</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 1,601 households.

**Exhibit E-4**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
SAN JUAN COUNTY (NM), FOOD STAMP BENEFITS**

Month	Type of Loss			Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	System or Procedural Error	Forced Transaction or Robbery		
May 95	1	2		3	
June 95	3			3	
July 95	2	1		3	
Aug 95		4		4	
Sept 95		5		5	
Oct 95		1		1	
Nov 95					
Dec 95		2		2	
Jan 96		1		1	
Feb 96		1		1	
Mar 96					
Apr 96					
<b>First 6 months</b>	<b>6</b>	<b>13</b>	<b>0</b>	<b>19</b>	<b>0</b>
<b>Final 6 months</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>Total</b>	<b>6</b>	<b>17</b>	<b>0</b>	<b>23</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 3,195 households.

**Exhibit E-5**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
CITIBANK DPC SYSTEM, CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
Mar 95	6	10	3		19	4
Apr 95	10	13	4		27	3
May 95	11	20	5		36	6
June 95	9	57	2		68	
July 95	10	22	7		39	1
Aug 95	13	24	1		38	1
Sept 95	16	70	3	1	90	1
Oct 95	12	17	5		34	
Nov 95	12	16	2		30	2
Dec 95	18	29			47	
Jan 96	13	33	3		49	
Feb 96	11	12	3		26	
<b>First 6 months</b>	<b>59</b>	<b>146</b>	<b>22</b>	<b>0</b>	<b>227</b>	<b>15</b>
<b>Final 6 months</b>	<b>82</b>	<b>177</b>	<b>16</b>	<b>1</b>	<b>276</b>	<b>3</b>
<b>Total</b>	<b>141</b>	<b>323</b>	<b>38</b>	<b>1</b>	<b>503</b>	<b>18</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 12,405 households.

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**Exhibit E-6**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
HUDSON COUNTY (NJ), CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
Mar 95	4	7			11	1
Apr 95	4	13	2		19	1
May 95	7	5		2	14	1
June 95	4	12	1		17	
July 95	6	3		1	10	1
Aug 95	6	7	1		14	
Sept 95	5	11			16	
Oct 95	2	6			8	1
Nov 95	4	12		1	17	
Dec 95	7	8			15	
Jan 96	8	4			12	
Feb 96	6	13			19	
<b>First 6 months</b>	<b>31</b>	<b>47</b>	<b>4</b>	<b>3</b>	<b>85</b>	<b>4</b>
<b>Final 6 months</b>	<b>32</b>	<b>54</b>	<b>0</b>	<b>1</b>	<b>87</b>	<b>1</b>
<b>Total</b>	<b>63</b>	<b>101</b>	<b>4</b>	<b>4</b>	<b>172</b>	<b>5</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 16,325 households.

**Exhibit E-7**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
HUDSON COUNTY (NJ), FOOD STAMP BENEFITS**

Month	Type of Loss			Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	System or Procedural Error	Forced Transaction or Robbery		
Mar 95	4	3		7	
Apr 95	2	1	1	4	1
May 95	6		1	7	
June 95	7	1		8	
July 95	4	1		5	
Aug 95	7	2		9	
Sept 95	4			4	
Oct 95	8	1		9	
Nov 95	8	1		9	
Dec 95	6	3		9	1
Jan 96	7			7	3
Feb 96	4			4	
<b>First 6 months</b>	<b>30</b>	<b>8</b>	<b>2</b>	<b>40</b>	<b>1</b>
<b>Final 6 months</b>	<b>37</b>	<b>5</b>	<b>0</b>	<b>42</b>	<b>4</b>
<b>Total</b>	<b>67</b>	<b>13</b>	<b>2</b>	<b>82</b>	<b>5</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 27,079 households.

Exhibit E-8

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
BERNALILLO COUNTY (NM), CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
May 95	1	21	8		30	
June 95	11	18	1	1	31	
July 95	10	6	1		17	
Aug 95	14	7			21	
Sept 95	6	5			11	
Oct 95	7	1	3		11	
Nov 95	8	4			12	
Dec 95	7	7	1		15	
Jan 96	17	7	1		25	
Feb 96	9	10			19	
Mar 96	6	6			12	
Apr 96	5	10			15	
<b>First 6 months</b>	<b>49</b>	<b>58</b>	<b>13</b>	<b>1</b>	<b>121</b>	<b>0</b>
<b>Final 6 months</b>	<b>52</b>	<b>44</b>	<b>2</b>	<b>0</b>	<b>98</b>	<b>0</b>
<b>Total</b>	<b>101</b>	<b>102</b>	<b>15</b>	<b>1</b>	<b>219</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 8,478 households.

**Exhibit E-9**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
BERNALILLO COUNTY (NM), FOOD STAMP BENEFITS**

Month	Type of Loss			Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	System or Procedural Error	Forced Transaction or Robbery		
May 95	16	8		24	1
June 95	21	2		23	
July 95	18	10		28	
Aug 95	20	6		26	
Sept 95	21	2		23	
Oct 95	25	3		28	1
Nov 95	20	1	1	22	2
Dec 95	19	8		27	
Jan 96	27	7		34	
Feb 96	25	7		32	
Mar 96	19	3		22	
Apr 96	28	7		35	1
<b>First 6 months</b>	<b>121</b>	<b>31</b>	<b>0</b>	<b>152</b>	<b>2</b>
<b>Final 6 months</b>	<b>138</b>	<b>33</b>	<b>1</b>	<b>172</b>	<b>3</b>
<b>Total</b>	<b>259</b>	<b>64</b>	<b>1</b>	<b>324</b>	<b>5</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 24,048 households.



**Exhibit E-10**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:  
DOÑA ANA COUNTY (NM), CASH ASSISTANCE BENEFITS**

Month	Type of Loss				Total	Not a Reg E Loss <sup>a</sup>
	Unauthorized Usage	ATM Misdispense	System or Procedural Error	Forced Transaction or Robbery		
May 95	1	8			9	
June 95		3			3	
July 95		7			7	
Aug 95		8			8	
Sept 95	2	3			5	
Oct 95	2	5			7	
Nov 95		3			3	
Dec 95	3	8			11	
Jan 96		1			1	
Feb 96	1	2			3	
Mar 96		10			10	
Apr 96	1	3			4	
<b>First 6 months</b>	<b>5</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>0</b>
<b>Final 6 months</b>	<b>5</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>0</b>
<b>Total</b>	<b>10</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>71</b>	<b>0</b>

<sup>a</sup> Represents claims on the site's database that were judged to be outside the realm of Reg E. These claims were dropped from the analysis; they are not included in the exhibit's column showing total number of claims.

Average monthly caseload = 4,291 households.

**Exhibit E-11**

**NUMBER OF SUBMITTED CLAIMS, BY MONTH AND TYPE:**

~~CONFIDENTIAL AND PROPRIETARY INFORMATION~~

**Exhibit E-12**  
**ALL CLAIMS<sup>a</sup>**  
**DISPOSITION AND DOLLAR VALUES<sup>b</sup>**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash</b>	126	60	503	172	218	70	963
% Approved	41	57	58	45	52	67	55
% Denied	53	40	41	52	46	33	43
% Withdrawn	6	3	2	3	2	0	2
<b>Food Stamps</b>	83	23		80	323	26	429
% Approved	6	61		3	25	58	23
% Denied	90	13	n/a	86	68	31	69
% Withdrawn	4	26		11	7	12	8
<b>Cash</b>							
Average amount of all claims	\$190	\$124	\$241	\$198	\$195	\$154	\$197
Average amount of approved claims	\$195	\$152	\$199	\$214	\$183	\$162	\$190
<b>Food Stamps</b>							
Average amount of all claims	\$231	\$70		\$122	\$122	\$79	\$108
Average amount of approved claims	\$132	\$69	n/a	\$141	\$103	\$56	\$100

<sup>a</sup> These numbers include claims submitted due to forced transactions and robberies.

<sup>b</sup> Percentages in this table may not sum to 100 due to rounding.

n/a Not applicable. No food stamp benefits are issued through the Citibank DPC system.

## Exhibit E-13

REASONS FOR DENIAL<sup>a,b</sup>

(All Claims)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash</b>							
Total number of claims denied	67	24	205	90	100	23	418
Missed deadline for providing documentation	n/a	33%	58%	59%	64%	48%	59%
Non-reimbursable loss	90%		< 1%	4%			2%
Less than liability	n/a	33%		6%	12%	30%	6%
Evidence confirmed that no loss occurred	10%	29%	35%	24%	21%	22%	29%
Inconsistent report			2%	1%			1%
Compromised PIN		4%	4%	6%	3%		4%
<b>Food Stamps</b>							
Total number of claims denied	75	3	n/a	68	219	8	295
Missed deadline for providing documentation	n/a	100%		71%	90%	88%	85%
Non-reimbursable loss	100%						
Less than liability	n/a			12%	4%	13%	6%
Evidence confirmed that no loss occurred				6%	2%		3%
Inconsistent report					< 1%		< 1%
Compromised PIN				12%	5%		6%

<sup>a</sup> Percentages in this table may not always sum to 100 due to rounding.<sup>b</sup> Empty cells indicate a result of 0 percent.

n/a Not applicable. Not a valid reason within the site for denying a claim. Also, no food stamp benefits are issued through the Citibank DPC system.

Exhibit E-14

**REASONS FOR DENIAL<sup>a,b</sup>**  
(Non-receipt of Funds)

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash</b>							
Total number of claims denied	7	17	70	28	31	16	145
Missed deadline for providing documentation	n/a	12%	7%	14%	10%	25%	11%
Non-reimbursable loss	n/a 29%	n/a	n/a	n/a	n/a	n/a	n/a
Less than liability	n/a	n/a 47%	n/a	n/a 4%	n/a 36%	n/a 44%	n/a 13%
Evidence confirmed that no loss occurred	71%	41%	91%	79%	55%	31%	75%
Inconsistent report			1%	4%			1%
Compromised PIN							

<sup>a</sup> Percentages in this table may not always sum to 100 due to rounding.

<sup>b</sup> Empty cells indicate a result of 0 percent.

n/a Not applicable. Not a valid reason within the site for denying a claim of non-receipt of funds (although, as indicated in the exhibit, this reason was occasionally listed as a reason for denial).

**Exhibit E-15**  
**REASONS FOR DENIAL<sup>a,b</sup>**  
**(System or Procedural Error)**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E				
Site	Camden County (NJ)	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	All Full Reg E Sites
<b>Cash</b>							
Total number of claims denied	2	0	4	3	5	0	12
Missed deadline for providing documentation	n/a		75%	100%	20%		58%
Non-reimbursable loss	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Less than liability	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Evidence confirmed that no loss occurred	100%		25%		80%		42%
Inconsistent report							
Compromised PIN							
<b>Food Stamps</b>							
Total number of claims denied	0	0	n/a	7	5	1	13
Missed deadline for providing documentation	n/a			57%	40%		46%
Non-reimbursable loss	n/a						
Less than liability	n/a	n/a		n/a 14%	n/a	n/a 100%	n/a 15%
Evidence confirmed that no loss occurred				29%	60%		39%
Inconsistent report							
Compromised PIN							

<sup>a</sup> Percentages in this table may not always sum to 100 due to rounding.

<sup>b</sup> Empty cells indicate a result of 0 percent.

n/a Not applicable. Not a valid reason within the site for denying a claim of system or procedural error (although, as indicated in the exhibit, this reason was occasionally listed as a reason for denial). Also, no food stamp benefits are issued through the Citibank DCP system.

## APPENDIX F

### INCIDENCE OF ATM MISDISPENSES IN RAMSEY COUNTY, 1992-1994

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To provide additional information on the rate of reported ATM misdisplays in EBT systems *not* operating under Reg E procedures, the Ramsey County Community Human Services Department provided Abt Associates with data on ATM misdisplays in the Ramsey County Electronic Benefit System (EBS) during 1992-1994. These data, plus program statistics on caseload size and benefits issued, were used to calculate monthly rates of ATM misdisplays in the Ramsey County EBS.

#### Ramsey County Data

The Ramsey County data include information on each incident of an ATM misdisplay involving EBS benefits during 1992, 1993, and 1994. The data indicate whether or not the misdisplay was reported by the client, the dollar value of the misdisplay, and whether the bank confirmed the misdisplay. The data also indicate which program's benefits were affected by the misdisplay.<sup>1</sup>

During the period in question, the Ramsey County EBS utilized ATMs to distribute benefits in four programs: Aid to Families with Dependent Children (AFDC), General Assistance (GA), Minnesota Supplemental Assistance (MSA), and Refugee Assistance (RA). The county's monthly progress reports for the system often combined information from the AFDC and RA programs, however, so it is possible that some of the misdisplays identified as involving AFDC benefits may have involved RA benefits instead.<sup>2</sup> For this reason we treat all misdisplays classified in the data as involving AFDC benefits as being from the *pool* of AFDC and RA benefits issued. Given that the RA program in Ramsey County is only about 1 percent

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<sup>1</sup> The Ramsey County data are more complete than those collected in the Reg E demonstration sites; ATM misdisplays identified by the bank, but not reported by the client, are included in the database. The records also include information on ATM *overdisplays*, which are not identified in the Reg E sites. Neither overdisplays nor bank-identified errors are covered by the provisions of Reg E, so the demonstration sites had no need to track such incidents.

<sup>2</sup> No misdisplays were explicitly identified as involving RA benefits.

the size of the AFDC program, for all practical purposes the results presented here can be viewed as characterizing the ATM misdisbursement experience of AFDC clients.

The combined AFDC and RA program was the largest program that utilized the EBS in Ramsey County during 1992-1994. The average monthly AFDC/RA caseload during these years was about 10,200, compared to about 2,300 GA and 1,300 MSA clients per month. The average monthly AFDC/RA total benefits issued was just over \$4,800,000. In contrast, the GA program averaged \$525,000 in total benefits per month, and the MSA program averaged \$127,000 per month.

Over 80 percent of the ATM misdisbursements during 1992-1994 involved AFDC (or RA) benefits. For purposes of this analysis, therefore, only transactions affecting AFDC/RA program benefits have been analyzed.<sup>3</sup>

### **Analysis Framework**

In addition to program type, the other ATM misdisbursement information provided by Ramsey County includes the amount of withdrawal requested and received, the amount of benefits debited from the client's account, and whether the ATM misdisbursement was reported by the client or discovered by the bank. With these variables, each disputed ATM transaction is categorized as an *overdisbursement* or an *underdisbursement* that was either:

- reported by the client and confirmed by the bank;
- not reported by the client, but found and confirmed by the bank; or
- reported by the client, but not confirmed by the bank.

For the first two categories (i.e., when the transaction in question was confirmed by the bank), the bank took action to correct the situation by either crediting or debiting the client's account.

If banks can identify when misdisbursements occur without error, then the six categories in the above framework cover all possible situations of a misdisbursement. The following analysis

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<sup>3</sup> This restriction also yields analysis results that are more directly comparable to the EBT sites participating in the Reg E demonstrations. The only cash benefit program served by the New Jersey and New Mexico EBT systems was AFDC.



implicitly assumes such error-free identification. If, however, errors can occur, such errors would have the following potential impacts on analysis results:

- the analysis would completely miss misdisbursements that are not recognized by the client and are not independently identified by the bank;
- some of the misdisbursements reported by the client and confirmed by the bank may not have been actual misdisbursements; and
- some of the misdisbursements that were reported by the client but not confirmed by the bank may have actually occurred.

Lacking any reliable information on the accuracy of bank investigations into ATM misdisbursements, this analysis assumes that the banks' records are correct.

### **Outcome Variables**

Using the ATM misdisbursement data and the total monthly AFDC/RA caseload and benefits data, three outcome variables were calculated for the different categories of ATM misdisbursements for each month during the period 1992 through 1994. The variables are:

- (1) the rate of ATM misdisbursements, defined as the number of misdisbursements per 1,000 AFDC/RA clients;
- (2) total dollars misdisbursed as a percentage of AFDC/RA benefits issued; and
- (3) average dollar value per misdisbursement.

All dollar values for both underdisbursements and overdisbursements are expressed as positive values.

After the monthly figures were compiled, we computed both yearly averages and averages for the entire three-year period. The annual and three-year averages are based on the individual misdisbursement records, not the monthly figures.

### **Analysis Results**

Exhibit F-1 presents our analysis of *ATM underdisbursements* for each year and for the entire three-year period. Exhibit F-2 presents a similar tabulation for *ATM overdisbursements*.

**Reported Claims of Underdisbursement.** The first two sets of rows in Exhibit F-1 provide information on client reports of ATM underdisbursements that were, respectively, either verified and

approved by the bank, or denied. Over the three-year period, two-thirds of all claims were approved. This rate of approval increased from about 56 percent to 72 percent over the three years because the rate of denied claims each year held steady at about 0.20 per 1,000 cases per month, whereas the rate of approved claims rose from 0.27 per 1,000 case months in 1992 to 0.51 per 1,000 case months in 1994.

The average dollar value of approved claims over the three-year period was \$126.10, whereas that for denied claims was \$84.15. In terms of benefits issued, approved claims equaled just over 0.01 percent of benefits issued (based on an average issuance of \$504 per month).

**Verified Incidents of Underdispense.** In addition to claims of ATM underdispense reported by clients and subsequently verified by the banks, the banks independently identified and corrected a number of underdispenses; the three-year rate of such incidents was 0.08 per 1,000 case months.<sup>4</sup> With a rate of 0.39 for reported and verified underdispenses, the total rate of verified underdispenses equaled 0.47 per 1,000 case months for the three years. Thus, of all verified underdispenses, approximately 17 percent were not reported by clients. One could hypothesize that the unreported underdispenses were of sufficiently small dollar value that clients did not bother to report them, but with an average dollar value of \$82.67, this seems unlikely. More likely explanations are either that clients failed to recognize that they had received fewer dollars than requested; that some clients did not know how to report the underdispense; or that some clients did not report the misdispense because they did not know that such losses were reimbursable.

**Reported Claims of Overdispense.** The EBS clients in Ramsey County occasionally reported receiving too many dollars when withdrawing AFDC/RA benefits from their account. Over the three-year period there were 30 reports of an overdispense, or about 0.08 reports per 1,000 case months. Ninety percent of the overdispense reports were confirmed, and the clients' accounts were subsequently debited for the overdispense amount. Interestingly, three overdispense reports (10 percent of the total) were denied after bank investigation. These clients either were mistaken in how much was dispensed, or the banks' investigative procedures and reports were subject to error.

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<sup>4</sup> As noted earlier, similar data on bank-identified misdisburses were not collected in the Reg E demonstration sites.

**Verified Incidents of Overdisbursement.** Most incidents of overdisbursement were identified by the banks during ATM balancing rather than reported by clients (or the bank identified the error *before* it was reported by the client). Over 75 percent of all overdisbursements were so identified. Interestingly, the average value of bank-identified overdisbursements (\$161.53) is not much different than the average value of client-reported (and verified) overdisbursements (\$189.26).

Although somewhat higher in 1992, the annual rate of bank-identified overdisbursements held fairly constant over the three-year period. This is not true for client-reported overdisbursements, which occurred much more often in 1994 than the previous two years. The data show that on one day in August 1994, 20 clients reported that ATMs were dispensing twice the amount requested.

### **Summary**

Overall, the incidence of ATM misdisbursements in the Ramsey County EBS during 1992-1994 affected a very small fraction of the AFDC/RA caseload and accounted for a very small amount of the AFDC/RA benefits issued. Misdisbursements were classified as being an overdisbursement or an underdisbursement, reported or unreported, and if reported, as either verified or denied by the bank. As might be expected, a majority (82.8 percent) of all verified underdisbursements were reported by clients, and a majority (75.9 percent) of all overdisbursements were identified by the bank. The rate of claims made in error, shown mainly in Exhibit F-1 as claims that were reported by the client and subsequently denied, stayed steady throughout the three-year period examined, despite the increases in nearly all other rates calculated in this analysis.

The rate of *client-reported underdisbursements*—both approved and denied—is pertinent for comparison with claim rates in Camden County and the Reg E demonstration sites. From 1992-1994, the rate of client-reported underdisbursements per 1,000 cases in Ramsey County was 0.60. This rate is similar to those found in the comparison site of Camden County (0.39) and the full Reg E site of Hudson County (0.47). The claim rate in Ramsey County, however, is somewhat lower than the claim rates found at the other Reg E demonstration sites, which ranged from 1.00 to 2.50. These comparisons begin to indicate that there may be site-specific differences other than the presence of Reg E that affect the rate of client-reported ATM underdisbursements.

Exhibit F-1

ATM UNDERDISPENSES: RAMSEY COUNTY EBS, 1992-1994

	1992	1993	1994	All Months 1992-1994
<b><i>Reported by Client - Verified</i></b>				
Rate per 1,000 AFDC/RA cases	0.2656	0.3847	0.5135	0.3920
Average dollar value	\$105.81	\$98.30	\$155.44	\$126.10
Percent of AFDC/RA benefits issued	0.0060%	0.0081%	0.0167%	0.0105%
<b><i>Reported by Client - Denied</i></b>				
Rate per 1,000 AFDC/RA cases	0.2057	0.2046	0.2023	0.2041
Average dollar value	\$76.08	\$95.40	\$80.77	\$84.15
Percent of AFDC/RA benefits issued	0.0033%	0.0042%	0.0034%	0.0036%
<b><i>Identified by Bank - Verified</i></b>				
Rate per 1,000 AFDC/RA cases	0.0600	0.0737	0.1089	0.0817
Average dollar value	\$82.86	\$56.67	\$99.29	\$82.67
Percent of AFDC/RA benefits issued	0.0011%	0.0009%	0.0023%	0.0014%
<b><i>All Client-Reported Incidents</i></b>				
Rate per 1,000 AFDC/RA cases	0.4713	0.5893	0.7158	0.5961
Average dollar value	\$92.84	\$97.29	\$134.34	\$111.74
Percent of AFDC/RA benefits issued	0.0093%	0.0123%	0.0202%	0.0141%
<b><i>All Verified Incidents</i></b>				
Rate per 1,000 AFDC/RA cases	0.3256	0.4584	0.6225	0.4736
Average dollar value	\$101.58	\$91.61	\$145.61	\$118.61
Percent of AFDC/RA benefits issued	0.0071%	0.0090%	0.0190%	0.0119%

NOTE: Data on bank-identified underdisburses were not collected in the Reg E demonstration sites. The regulation's provisions for handling client claims of loss do not apply if the loss is otherwise identified and corrected.

Exhibit F-2

ATM OVERDISPENSES: RAMSEY COUNTY EBS, 1992-1994

	1992	1993	1994	All Months 1992-1994
<b><i>Reported by Client - Verified</i></b>				
Rate per 1,000 AFDC/RA cases	0.0086	0.0491	0.1556	0.0735
Average dollar value	\$180.00	\$41.67	\$234.00	\$189.26
Percent of AFDC/RA benefits issued	0.0003 %	0.0004 %	0.0076 %	0.0030 %
<b><i>Reported by Client - Denied</i></b>				
Rate per 1,000 AFDC/RA cases	0.0171	0.0082	0.0000	0.0082
Average dollar value	\$65.00	\$40.00	—	\$56.67
Percent of AFDC/RA benefits issued	0.0002 %	0.0001 %	0.0000 %	0.0001 %
<b><i>Identified by Bank - Verified</i></b>				
Rate per 1,000 AFDC/RA cases	0.2828	0.2046	0.2101	0.2314
Average dollar value	\$163.48	\$165.80	\$155.19	\$161.53
Percent of AFDC/RA benefits issued	0.0099 %	0.0073 %	0.0068 %	0.0079 %
<b><i>All Client-Reported Incidents</i></b>				
Rate per 1,000 AFDC/RA cases	0.0257	0.0573	0.1556	0.0817
Average dollar value	\$103.33	\$41.43	\$234.00	\$176.00
Percent of AFDC/RA benefits issued	0.0006 %	0.0005 %	0.0076 %	0.0031 %
<b><i>All Verified Incidents</i></b>				
Rate per 1,000 AFDC/RA cases	0.2913	0.2537	0.3657	0.3049
Average dollar value	\$163.97	\$141.77	\$188.72	\$168.21
Percent of AFDC/RA benefits issued	0.0102 %	0.0077 %	0.0145 %	0.0109 %

NOTE: Data on ATM overdspenses were not collected in the Reg E demonstration sites. Overdispenses do not constitute a benefit loss, and reports of ATM overdspenses are not covered by Reg E.

## APPENDIX G

### ANALYSIS OF NEW MEXICO'S EBT PROJECT PROBLEM REPORTS

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One of the difficulties in assessing Reg E's impacts on the rate of submitted claims of lost benefits is that only limited information exists on rates of benefit loss in the absence of Reg E. Specifically, the Reg E demonstration included only one formal comparison site (Camden, NJ) operating under regular EBT policy for reimbursing lost benefits. In an effort to expand our understanding of rates of reported lost benefits in the absence of Reg E, the evaluation has collected and analyzed a second set of data: New Mexico's EBT project problem reports.

Since the introduction of EBT in New Mexico, state staff at the EBT Help Desk have handled reports of EBT problems from retailers, recipients, and EBT specialists in the county offices (to whom recipients often report EBT problems). The Help Desk staff write a description of each problem on a paper form, the "EBT Project Problem Report," along with client identifying information, date of incident, and program involved. Actions taken by the Help Desk and any resolution to the problem are usually noted on the report.

These problem reports offer a potentially valuable source of data for the evaluation. First, by looking at pre-May 1995 problem reports from the three Reg E demonstration counties,<sup>1</sup> the evaluation can obtain a pre-demonstration measure of rates of reported problems that were treated as Reg E claims after May 1, 1995. These rates can be compared to demonstration-period rates of Reg E claims to examine the impact of Reg E, holding county-specific factors constant. Second, for the demonstration period itself, rates of reported EBT problems from New Mexico's non-Reg E counties can be compared to Reg E claim rates in the

The New Mexico problem reports, however, were never intended to be used as a means for monitoring rates of reported EBT problems or their resolution. Rather, the problem reports were a simple means of compiling and maintaining relevant information while a problem was being researched. This feature leads to several deficiencies when using the logs to measure rates of reported loss:

- ***The logs are not comprehensive.*** If a county EBT specialist could handle an EBT problem involving lost benefits without seeking assistance from the Help Desk, the problem was never reported to the Help Desk, and a problem report was never filled out. Furthermore, for problems reported directly to the Help Desk by recipients, no county location information is available, creating an unusable record for this analysis.
- ***Information is not recorded systematically.*** In keeping with the reports' primary function as an information source while researching EBT problems, the two Help Desk staff did not always record information on the reports consistently, either with respect to each other or over time. In addition, information on how the problem was resolved was not always recorded.
- ***The time frame of usable information is limited.*** New Mexico's Help Desk staff provided copies of all New Mexico EBT Project Problem Reports for the 18-month period beginning November 1994 and ending April 1996. Although more than six months of pre-demonstration data would have been preferred, state staff indicated that reports of losses generally were less complete and accurate the further back in time one went.<sup>2</sup>

Despite these deficiencies with the problem reports, they may still offer insight into some of the likely impacts of Reg E on claim submission rates. We note, however, that the first deficiency (logs are not comprehensive) is potentially quite serious. To the extent that the county EBT specialists were able to handle problems without seeking assistance from the Help Desk, rates of loss in both the non-Reg E counties and the Reg E counties (prior to Reg E implementation) will be *underestimated*. In turn, when these estimates are compared to measured Reg E claim rates, the apparent impact of Reg E on reporting behavior will be biased *upward*.

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<sup>2</sup> New Mexico's EBT project director instructed Help Desk staff to be more systematic in recording problem report information as New Mexico began to expand its EBT system statewide.

**Exhibit G-1**  
**RATES OF ATM MISDISPENSE**

	Non-Reg E Counties	Reg E Counties	San Juan County	Bernalillo County	Doña Ana County
<i>Cash Assistance Benefits</i>					
Pre-Demonstration Period <sup>a</sup> Rate of reported EBT problems	1.201	0.882	1.494	0.717	1.038
Demonstration Period <sup>b</sup> Rate of problems and Reg E claims	1.001	1.230	2.500	1.003	1.165
Percentage change	-17%	+39%	+67%	+40%	+12%

<sup>a</sup> The six-month pre-Reg E demonstration period ran from November 1994 through April 1995.

<sup>b</sup> The 12-month Reg E demonstration period ran from May 1995 through April 1996.

**Rates of ATM Misdisperse**

Fortunately, the problem of incomplete report data probably does not affect measured rates of ATM misdisperse to a large extent. EBT specialists cannot investigate problems of ATM misdisperse, so these problems would almost always be reported to the Help Desk. Only if the recipient, after talking with the specialist, realized that a misdisperse did not occur would the incident fail to be logged as a problem.

Exhibit G-1 compares rates of reported ATM misdispenses from the New Mexico problem reports and the state's Reg E demonstration. (All rates are expressed as number of reported problems per 1,000 case months.) In the six months from November 1994 through April 1995 (i.e., prior to the start of New Mexico's Reg E demonstration), 68 incidents of ATM misdisperse were reported by recipients in the soon-to-be Reg E counties. The corresponding rate of ATM misdispenses was 0.882 across the three counties, varying from 0.717 in Bernalillo County to 1.494 in San Juan County. The comparable rate for the same time period in New Mexico's other EBT counties, based on 51 reported incidents of ATM loss, was 1.201.

During the demonstration period, AFDC recipients in the non-Reg E counties reported 209 incidents of ATM loss, yielding a rate of 1.001. Within the three Reg E counties, the



average rate of Reg E claims was 1.230. As Exhibit G-1 indicates, Bernalillo County had the lowest rate (1.003), and San Juan County had the highest rate (2.500).

Looking first at the Reg E sites, we see that—across the three Reg E counties—rates of reported misdisburses rose 39 percent between the two periods. Recalling the ATM network problems experienced in New Mexico in May 1995, at least some of this increase is probably due to an actual increase in problems, as opposed to a reporting effect introduced by the implementation of Reg E.

Holding time period constant, the Reg E claim rate during the demonstration (1.230) was 23 percent higher than the rate in the non-Reg E counties (1.001). The similarity in these two rates, coupled with the modest (and at least partly explainable) pre-post difference of 39 percent in the Reg E sites, leads us to conclude that the introduction of Reg E had little or no effect on the number of reported claims of ATM misdisburses.

Finally, we note that rates of ATM misdisburse declined by 17 percent in the non-Reg E counties over the two time periods. By itself this finding is not too significant. The decline is modest and certainly within the range for normal variability of ATM reliability. As will be seen in later sections, however, this pre-post decline becomes more pronounced for other types of loss. The question therefore arises as to why, in the *non-Reg E counties*, claim rates during the 12-month demonstration period were always lower than during the six months preceding the demonstration. We have no ready explanation for this pattern. Part of the problem may be due to errors in estimates of the number of cases receiving benefits during each time period.<sup>3</sup> It also may be that, as New Mexico rolled out EBT statewide, increased demands on the two Help Desk staff led county EBT specialists to try to assume, whenever possible, more of the burden of looking into EBT problems.

### **Rates of System or Procedural Error**

The evidence is a bit different when looking at problems of system or procedural error leading to lost benefits (Exhibit G-2). Within the Reg E counties, rates of lost benefits jumped 142 percent among AFDC recipients and 160 percent among food stamp recipients when Reg

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<sup>3</sup> New Mexico could not provide EBT caseload estimates on a month-to-month basis, so the evaluation estimated monthly EBT caseloads using each county's caseload figures and the month EBT conversion began. Caseload conversion to EBT often took as long as a year, however, so there may be some estimation error.

E was introduced. Cross-sectional differences are even greater: during the demonstration period, the rate of lost AFDC benefits was 425 percent higher in the Reg E counties than in the non-demonstration counties (i.e., 0.126 versus 0.024). The Reg E food stamp loss rate was 207 percent higher than in the non-Reg E counties (0.230 versus 0.075).

**Exhibit G-2**

**RATES OF SYSTEM OR PROCEDURAL ERROR**

	Non-Reg E Counties	Reg E Counties	San Juan County	Bernalillo County	Doña Ana County
<b>Cash Assistance Benefits</b>					
Pre-Demonstration Period <sup>a</sup> Rate of reported EBT problems	0.188	0.052	0.100	0.039	0.065
Demonstration Period <sup>b</sup> Rate of problems and Reg E claims	0.024	0.126	0.208	0.147	0
Percentage change	-87%	+142%	+109%	+279%	-100.0%
<b>Food Stamp Benefits</b>					
Pre-Demo Period <sup>a</sup> Rate of reported EBT problems	0.145	0.089	0.092	0.090	0.081
Demonstration Period <sup>b</sup> Rate of problems and Reg E claims	0.075	0.230	0.443	0.218	0.153
Percentage change	-48%	+160%	+380%	+142%	+90%

<sup>a</sup> The six-month pre-Reg E demonstration period ran from November 1994 through April 1995.

<sup>b</sup> The 12-month Reg E demonstration period ran from May 1995 through April 1996.

These percentage increases *suggest* that Reg E may have caused an increase in reporting behavior, as opposed to a true underlying difference in the rate of system or procedural errors leading to lost benefits. As described below, however, the apparent increase may be illusory, reflecting problems of incomplete data rather than a change in reporting behavior.

Some system or procedural errors are relatively straightforward to identify and resolve. An example is when a recipient's EBT account is debited twice for a single transaction (a "double debit"). When such problems were reported to an EBT specialist in a non-Reg E county (or reported prior to Reg E in a soon-to-be Reg E county), the specialist could identify the problem through examination of the recipient's EBT transaction history, notify the retailer of the double debit, and recommend that the recipient return to the store to have an offsetting credit applied to his or her account. In this situation the problem would never be reported to the Help Desk, and a problem report would never be filed. In the Reg E counties during the demonstration, in contrast, such problems were always supposed to be reported to the Help Desk. We therefore believe that the data are inconclusive with respect to whether Reg E affected reporting behavior. The apparent increases in system or procedural errors in the Reg E counties during the demonstration may be due to incomplete counts of such incidents, both prior to the demonstration and in the non-Reg E counties during the demonstration period. Given the relative low frequency of such incidents overall (e.g., four AFDC incidents and 18 food stamp incidents in the Reg E counties prior to the demonstration, and five AFDC and 33 food stamp incidents in the non-Reg E counties during the demonstration), even a small undercount could explain the apparent percentage increases displayed in Exhibit G-2.

As with ATM misdispenses, however, Exhibit G-2 shows evidence of a decline over time in reported EBT problems in the non-Reg E counties. If these declines are both real and due to factors common to both the Reg E and non-Reg E counties, then the argument that a Reg E reporting effect exists is strengthened. That is, one would have to believe that reported rates of system or procedural error would have *declined* in the absence of Reg E, making the observed rate increase in the Reg E counties stronger evidence for a reporting effect.

### **Rates of Unauthorized Usage**

A dramatically different picture appears to emerge when looking at rates of reported incidents of unauthorized usage (Exhibit G-3). Although the pre-post difference in the Reg E counties is "only" 141 percent for lost AFDC benefits, the pre-post increase is nearly 6,700

**Exhibit G-3**  
**RATES OF UNAUTHORIZED USAGE**

	Non-Reg E Counties	Reg E Counties	San Juan County	Bernalillo County	Doña Ana County
<i>Cash Assistance Benefits</i>					
Pre-Demonstration Period <sup>a</sup> Rate of reported EBT problems	0.165	0.311	0.299	0.387	0.065
Demonstration Period <sup>b</sup> Rate of problems and Reg E claims	0.010	0.752	0.417	0.983	0.194
Percentage change	-94%	+141%	+40%	+154%	+199%
<i>Food Stamp Benefits</i>					
Pre-Demonstration Period <sup>a</sup> Rate of reported EBT problems	0.039	0.010	0	0.014	0
Demonstration Period <sup>b</sup> Rate of problems and Reg E claims	0.008	0.667	0.156	0.898	0.068
Percentage change	-79%	+6,675%	infinitely large	+6,380%	infinitely large

<sup>a</sup> The six-month pre-Reg E demonstration period ran from November 1994 through April 1995.

<sup>b</sup> The 12-month Reg E demonstration period ran from May 1995 through April 1996.

percent for lost food stamp benefits. Furthermore, the cross-sectional differences in both programs (i.e., rates of 0.752 versus 0.010 and 0.667 versus 0.008) are close to 8,000 percent.

Do these data indicate a Reg E reporting effect for claims of loss due to unauthorized card usage? The results, unfortunately, are again inconclusive. The percentage increases are so large that we do not feel comfortable ignoring them completely, especially when one would *expect* to see a Reg E reporting effect for losses due to unauthorized usage. The problem in interpreting these results, however, is that the large percentage increases could be due to two different causes. First, recipients may indeed have reported losses due to unauthorized usage more frequently during the demonstration, in which case a reporting effect exists. Second,

however, recipients may have reported losses just as often prior to the demonstration as during the demonstration, but the EBT specialists—knowing that the losses were not reimbursable—may have had no reason to pass the information on to the Help Desk. In the latter situation no reporting effect exists; the different rates displayed in Exhibit G-3 simply reflect the different responsibilities the EBT specialists had before and after the start of the Reg E demonstration.

In trying to interpret these findings we are once again faced with the substantial *decline* in reporting rates across the two time periods in the non-Reg E counties. The decline might be due, as discussed earlier, to EBT specialists resolving more problems during the demonstration period without calls to the Help Desk. We have no evidence one way or the other. Certainly there is no policy explanation for the decrease; losses due to unauthorized card usage were not reimbursable in the non-Reg E counties at any time. Thus, as with losses due to system or procedural error, the decline in reporting rates in the non-demonstration counties may provide stronger evidence that Reg E did have an impact on reporting behavior in the demonstration counties.

### **Summary**

Despite deficiencies in the EBT problem report data, these data provide some information on rates of reported lost benefits in New Mexico in the absence of Reg E protections. In the one area in which the problem report data are likely to be most accurate (i.e., ATM misdisbursements), it does not appear that Reg E changed reporting behavior; rates of Reg E claims of ATM misdisbursement during the demonstration period are quite similar to rates of reported misdisbursement problems in counties not operating under Reg E protections.

The problem reports indicate that Reg E may have increased the likelihood that recipients reported incidents of benefits lost through system or procedural error. Due to possible undercounts of such incidents in the EBT problem reports, however, this evidence is inconclusive.

Finally, with the very large apparent increases in reported losses due to unauthorized card usage during the demonstration, it is possible that Reg E changed reporting behavior for such losses. It is also possible, however, that the large increases are due to problems with data comparability.

## APPENDIX H

### REG E CLAIMANT SURVEY

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In an effort to understand better recipients' views of Reg E claims-processing procedures, we interviewed 316 Reg E claimants from the Hudson County, Citibank DPC System, and New Mexico demonstrations. No interviews were conducted with recipients from the comparison site (Camden County) because the main purpose of the survey was to understand recipients' reactions to the new Reg E procedures that were being implemented. This appendix describes the survey.

#### Survey Plans and Implementation

The Reg E Claimant Survey was a telephone interview survey with planned field interview follow-up for those claimants who could not be reached by phone. The evaluation originally planned to interview 100 Reg E claimants from each Reg E demonstration site, for a total of 500 interviews.

The planned period for survey operations was October through December 1995. By July 1995, however, it was clear that the rate of claim submission in nearly all sites was too low to generate enough sample for 100 completed interviews per site. We therefore decided to postpone the survey period to allow time for more claims to be filed. Accordingly, phone interviews began in November rather than October. As shown in Exhibit H-1, the *universe* of Reg E claims available for the survey totalled 488 at that time.<sup>1</sup>

We expected few difficulties in finding and contacting most claimants because the claims data provided by the sites' tracking systems included addresses and phone numbers that should have been current as of the date the claim was filed. Instead, many phone numbers were missing from the databases or out of date by the time the survey began.

The survey's overall completion rate was about 65 percent (i.e., 316 completes from the universe of 488). After excluding duplicate listings, clients who did not file a claim covering a Reg E incident, clients who could not remember filing the claim in question, and deceased

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<sup>1</sup> The survey was not postponed further due to concerns about early claimants having difficulty recalling the details of their claim-processing experience.

clients, the final survey response rate was 70 percent (i.e., 316/452). The site-specific response rates varied from 59 percent (the Citibank DPC system in Texas) to 89 percent (Doña Ana County). The Texas response rate was lowest because field interview follow-ups were attempted only in the Houston area due to budget constraints. The survey's response rate in the Houston area was 74 percent; outside of Houston (but still in Texas), the response rate was just under 50 percent.

**Exhibit H-1**  
**DISPOSITION OF SURVEY SAMPLE**

	San Juan County (NM)	Citibank DPC System (TX)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)	Total
Initial sample/ universe	30	178	95	158	27	488
Removed from sample <sup>a</sup>	1	12	5	2	0	20
Ineligible <sup>b</sup>	0	8	2	6	0	16
Final sample	29	158	88	150	27	452
Could not locate <sup>c</sup>	6	60	9	44	3	122
Other non-interview <sup>d</sup>	1	4	3	6	0	14
Completed interviews	22	94	76	100	24	316

**NOTES:**

- <sup>a</sup> Of the 20 claimants removed from the sample, 15 were determined not to have filed a Reg E claim, and five were "duplicates" (i.e., the same claimant appeared twice on the site's claims data base for the same claim).
- <sup>b</sup> Three claimants died before the interviewer was attempted, and 13 could not recall having filed the claim in question.
- <sup>c</sup> Includes nine claimants who moved out of the study area and, in Texas, 37 claimants living in areas where field interviews were not attempted.
- <sup>d</sup> Includes interviews not completed due to refusals (5), claimant located but contact not made after repeated attempts (12), language barrier (1), and claimant too ill to interview (1).

## APPENDIX I

### THE SURVEY OF UNREPORTED LOSS

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Some incidents of benefit loss are never reported, either because clients choose not to report the loss or because they never realize that a loss has occurred. Losses of the latter type

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are very difficult to investigate and are not examined here. The evaluation's Unreported Loss Survey was conducted to help estimate the rate at which clients choose not to report incidents of loss, and why.

#### DESCRIPTION OF THE SURVEY

The Unreported Loss Survey was conducted in all six demonstration sites, including the comparison site of Camden County; the intent was to determine whether the presence of Reg E affected reporting behavior. The Texas portion of the survey involved a telephone survey of EBT participants in Texas. A random sample of 5,000 current Direct Payment Card holders was drawn from Citibank records; a total of 1,993 of these participants were contacted by telephone and completed the survey. For the New Jersey and New Mexico portions of the survey, recipients appearing in welfare offices for recertification in Camden, Hudson, Bernalillo, Doña Ana, and San Juan Counties were given a brief self-administered screener to complete. When they returned these screeners to data collectors, those recipients who had indicated on the forms that they had ever experienced a loss of food stamp or AFDC benefits associated with EBT were asked an additional series of follow-up questions. Over 19,000 responses were received, of which 18,523 were deemed to represent distinct cases.<sup>1</sup>

Copies of both survey instruments are included at the end of this appendix. The Texas instrument is longer than the Bernalillo County instrument (which is representative of the instrument used in other New Mexico and New Jersey counties) and, as described below, collected somewhat more information about losses due to unauthorized transactions. The need

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<sup>1</sup> Duplicates could occur because a client with a brief certification period could appear for recertification more than once within the survey period. Duplicates were identified within each county on the basis of identical last name and case number; identical case number and very similar name; and identical first and last name and similar case number. In these instances, the earliest response was used.



to minimize recipients' interview time in the New Jersey and New Mexico welfare offices prevented this extra information from being collected in these sites.

The Unreported Loss Survey ascertained for recipients:

- When they first started using an EBT card (and, in Texas, when they stopped, if they were no longer using their cards);
- Whether they had ever experienced a loss due to:
  - ▶ too few benefits being added to their EBT account, or a payment to their account being entirely missed;
  - ▶ an unauthorized withdrawal, or money missing or taken from their account "for any other reason";
  - ▶ an ATM misdispense; or
  - ▶ a store employee giving them too little money;
- For each of the above types of loss:
  - ▶ whether they sometimes did not report it;
  - ▶ how many times this type of loss occurred (and they did not report it);
  - ▶ when the last such event occurred;
- The dollar amount of the most recent unreported cash loss;<sup>2</sup>
- In New Mexico and New Jersey, the dollar amount of the most recent unreported food stamp loss;
- Circumstances surrounding any unauthorized transactions that had occurred:<sup>3</sup>
  - ▶ someone known to the recipient had used the card without permission;
  - ▶ the card and PIN were both lost;
  - ▶ the card and PIN were both stolen;
  - ▶ the recipient was forced to take money out of the account and turn it over to someone; and
- Why the loss was not reported:
  - ▶ the recipient thought the benefits would not be replaced;
  - ▶ it wasn't worth the trouble to try to get the benefits replaced;

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<sup>2</sup> In Texas, information was gathered on the dollar amount of the most recent cash loss of each type.

<sup>3</sup> This question was asked of all respondents in Texas who experienced an unauthorized transaction, regardless of whether they reported it. The question related to all such experiences, and more than one answer could be given. Due to limitations on interview time in New Jersey and New Mexico, in contrast, the question was asked only of recipients who had experienced an *unreported* unauthorized transaction; the question related to the most recent such experience only, and only one answer could be given.

- ▶ the recipient didn't want to get someone in trouble;
- ▶ the recipient "never got around to it."

In order for comparisons among sites of the estimated rates of unreported loss to be interpreted as reflecting the effects of Reg E, the survey sample must be deemed similarly representative of the full caseload in each site. Only partial evidence is available on this point.

In Texas, the full sample frame of 5,000 recipients was a random sample of all EBT cases, and was therefore properly representative. Because the survey response rate was less than 40 percent, however, the same condition does not necessarily hold for the analysis sample. Furthermore, information on only two caseload characteristics is known for members of the sample frame: location in Houston versus outside of Houston, and program participation status.<sup>4</sup> This information was used to weight the analysis sample up to the sample frame; but it is unknown (and unknowable) whether the survey respondents differ from the caseload as a whole on other, uncorrelated dimensions.

The situation is different in several ways in New Jersey and New Mexico. First, the sample frame consisted of individuals coming in for a recertification, and therefore likely over-represented individuals with short certification periods. Second, respondents were asked to record their name and case number, with the intent of matching their survey forms to their case records. If successful, this matching would have allowed a comparison of the case characteristics of respondents with those of the full active caseloads in the five counties. Based on this comparison, analysis weights could have been constructed that would have made the survey sample representative of the active caseload.

Matching the survey respondents to the caseload records proved to be quite difficult, because the self-recorded identifiers were often incorrect. Only 69 percent of survey forms could be matched to case records—81 percent in New Mexico, and 56 percent in New Jersey.

Based on this partial match, we may ask two questions:

- Are the matched cases similar to the full active caseload?
- Are the matched and unmatched cases similar to each other?

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<sup>4</sup> Approximately 47 percent of the respondents were from Houston. The breakout by program was Social Security only (60 percent of respondents), SSI only (25 percent), Social Security and SSI together (10 percent), and other (5 percent).

If both of these questions are answered in the affirmative, we may conclude that the matched cases are a representative subset of the survey sample, *and* that the survey sample is a representative subset of the caseload.

In comparing the matched and unmatched cases to each other we can only consider items that are on the survey form itself, e.g., experiences of EBT. With regard to *rate of unreported loss*, the matched and unmatched cases were quite similar in the New Mexico counties and in Camden. This suggests that, to the extent that the matched cases look like the full caseload in those counties, we may deem that the survey sample is representative of the full caseload. In Hudson County, however, a divergence between the matched and unmatched cases implies that we cannot use any similarity between the matched cases and the full caseload to infer that the full analysis sample is representative.

Comparison of the matched cases with the full active caseload on a number of case characteristics indicates a general, but not total, similarity, as shown in Exhibit I-1. The matched sample in each site tends to be younger and more likely to be receiving AFDC.<sup>5</sup> This probably reflects the fact that elderly food stamp recipients tend to have less frequent recertifications (and were therefore less likely to enter the survey sample). We conclude that the low response rate in Texas, and the sample design in New Jersey and New Mexico, may have caused the survey sample in the various sites to be unrepresentative of the full caseload. If the types of cases drawn into the sample differ systematically among the sites, comparisons of rates of unreported loss may not be valid. The structure of the surveys does not allow us either to confirm or reject this possibility.

Another potential problem of these survey data is that, when used to estimate the percentage of cases in each site with *reported* losses, the resulting figures are much larger than the rates of reported loss presented in Chapter Three. This can be attributed, at least in part, to how the survey questions were framed; when respondents said they had experienced a loss, they were asked whether they had ever reported the loss to the Help Desk or their welfare worker. If the loss was reported to the welfare worker, neither the welfare worker nor the respondent may have followed through with a formal Reg E claim. This mechanism may fully

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<sup>5</sup> Also, in New Jersey, a substantial portion of the caseload shows no adult included in the grant; few of these cases appeared in the survey sample, however.

explain the difference in estimated rates of reported loss, although we cannot reject the possibility that the sampled recipients were more likely to have and report losses than the general caseload.

## Exhibit I-1

## CHARACTERISTICS OF FULL CASELOAD AND PORTION THAT WAS MATCHED TO CLIENT SURVEYS

	New Jersey				New Mexico					
	Camden County		Hudson County		Bernalillo County		Doña Ana County		San Juan County	
	Full	Matched	Full	Matched	Full	Matched	Full	Matched	Full	Matched
Age of grantee										
Mean	38.6	34.1	42.4	40.2	36.7	34.4	36.8	34.2	36.6	36.3
Percent over 59	11.3%	3.4%	19.0%	13.7%	8.7%	4.4%	10.6%	4.4%	7.8%	5.9%
Race of grantee										
White	29.1%	30.0%	15.2%	13.2%	30.8%	25.0%	18.2%	14.5%	30.4%	23.6%
Black	45.1	46.7	25.6	30.7	5.1	5.1	1.7	1.2	0.8	0.6
Hispanic	21.9	29.0	55.1	53.1	55.8	63.3	79.3	83.8	12.1	10.9
Native American	0.5	0.1	0.1	0.1	6.8	6.1	0.6	0.4	56.6	64.9
Asian/Other	3.8	1.3	4.1	2.9	1.5	0.5	0.2	0.1	0.07	0.0
Household type										
No adults	15.8%	4.0%	17.8%	0.1%	—	—	—	—	—	—
Single female	59.9	65.3	62.3	69.7	54.8	64.5	55.4	56.4	53.7	53.3
Single male	13.4	12.4	9.1	10.2	27.9	16.3%	13.6%	7.8%	8.8%	4.8%
Multiple adults	10.9	18.3	10.8	13.2	17.3	19.2	31.0	35.8	37.5	41.9
Number of children	1.2	1.9	1.2	1.6	1.0	1.4	1.6	1.9	2.0	2.3
Marital status										
Married	9.5%	11.0%	12.1%	13.0%	17.7%	17.6%	38.4%	41.0%	30.1%	31.0%
Widowed/divorced/sep.	33.9	29.6%	36.5	35.7	26.4	27.5	18.3	17.9	24.2	23.0
Never married	56.6	59.4	51.4	51.3	55.9	54.9	43.3	41.1	45.7	46.0
Average food stamp grant	\$142	\$219	\$146	\$197	\$161	\$191	\$188	\$218	\$200	\$222
AFDC										
Percent receiving	40.4%	70.2%	43.5%	57.9%	32.3%	47.7%	41.1%	48.0%	43.7%	50.4%
Average grant	\$145	\$263	\$149	\$206	\$109	\$163	\$143	\$168	\$161	\$189
<i>n</i>	34,006	2,346	44,033	2,816	38,939	3,030	14,955	2,669	5,654	1,858



Abt Associates Inc.  
55 Wheeler Street ■ Cambridge, MA ■ 02138-1168 ■ (617) 492-7100

## UNREPORTED LOSS SURVEY (Texas)

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Department of Agriculture, Clearance Officer, Room 404-W, Washington, DC 20250.

Please help us to find out how well the Direct Payment Card is working by answering the questions below. This survey is part of research we are doing for the U.S. Department of Agriculture, together with the Department of Health and Human Services and the Department of the Treasury. Your participation is voluntary. Your answers will be kept confidential and will have no effect on your Social Security, Supplemental Security, Railroad Retirement, or Veterans Pension benefits.

1. Has the government ever made a mistake by depositing too little money in your Direct Payment Card account?

YES (*CONTINUE*) . . . . . 1  
NO (*SKIP TO QUESTION 2*) . . . . . 2

- 1a. Did you always report mistakes in the amount deposited to the Help Desk?

YES (*SKIP TO QUESTION 2*) . . . . . 1  
NO (*CONTINUE*) . . . . . 2

- 1b. How many times did mistakes in the amount happen and you did not report it?

\_\_\_\_\_ TIMES

- 1c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR

- 1d. The last time this happened, how much money was missing from the deposit?

\$ \_\_\_\_\_

2. Was a payment to your Direct Payment Card account ever *missed entirely* and *never made up later*?

YES (*CONTINUE*) . . . . . 1  
NO (*SKIP TO QUESTION 3*) . . . . . 2

2a. Did you always report missed payments to the Help Desk?

YES (*SKIP TO QUESTION 3*) . . . . . 1  
NO (*CONTINUE*) . . . . . 2

2b. How many times were entire payments missed and you did not report it?

\_\_\_\_\_ TIMES

2c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR

2d. The last time this happened, how much money should have been deposited?

\$ \_\_\_\_\_

3. Has anyone ever taken money from your Direct Payment Card account without your permission?

YES (*CONTINUE*) . . . . . 1  
NO (*SKIP TO QUESTION 4*) . . . . . 2

3a. Did you always report this to the Help Desk?

YES (*SKIP TO QUESTION 4*) . . . . . 1  
NO (*CONTINUE*) . . . . . 2

3b. How many times was money taken from your account without your permission and you did not report it?

\_\_\_\_\_ TIMES

3c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR

3d. The last time this happened, how much money was taken without your permission?

\$ \_\_\_\_\_

4. For any other reason, was money ever missing or taken from your Direct Payment Card account?

YES (*CONTINUE*) . . . . . 1  
NO (*SKIP TO QUESTION 5*) . . . . . 2

4a. Did you always report this to the Help Desk?

YES (*SKIP TO QUESTION 5*) . . . . . 1  
NO (*CONTINUE*) . . . . . 2

4b. How many times was money missing or taken from your account and you did not report it?

\_\_\_\_\_ TIMES

4c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR

4d. The last time this happened, how much money was missing or taken?

\$ \_\_\_\_\_

5. Did an ATM machine ever give you less cash than was taken from your Direct Payment Card account?

YES (*CONTINUE*) . . . . . 1

NO (*SKIP TO QUESTION 6*) . . . . . 2

5a. Did you always report this to the Help Desk?

YES (*SKIP TO QUESTION 6*) . . . . . 1

NO (*CONTINUE*) . . . . . 2

5b. How many times did an ATM machine give you less cash than was subtracted from your Direct Payment Card account?

\_\_\_\_\_ TIMES

5c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR

5d. The last time this happened, how much money was missing?

\$ \_\_\_\_\_

6. Did a store employee ever give you less cash than was taken from your Direct Payment Card?

YES (*CONTINUE*) . . . . . 1

NO (*SKIP TO QUESTION 7*) . . . . . 2

6a. Did you always report this to the Help Desk?

YES (*SKIP TO QUESTION 7*) . . . . . 1

NO (*CONTINUE*) . . . . . 2

6b. How many times did a store clerk give you less cash than was taken from your Direct Payment account?

\_\_\_\_\_ TIMES

6c. When was the last time this happened?

\_\_\_\_\_/\_\_\_\_\_  
MONTH YEAR



6d. The last time this happened, how much money was missing?

\$ \_\_\_\_\_

7. Listed below are some ways in which a person might take money from your Direct Payment Card account without your permission. Please check whether each has ever happened to you.

	Has happened to me	Never happened to me
Someone I know used the card without my permission.	<input type="checkbox"/>	<input type="checkbox"/>
I lost my card and the PIN number was written down. Someone found it and used the card.	<input type="checkbox"/>	<input type="checkbox"/>
Someone stole my card and PIN and used them.	<input type="checkbox"/>	<input type="checkbox"/>
Someone forced me to take money out of my account and then took the money.	<input type="checkbox"/>	<input type="checkbox"/>
Something else happened. <i>(Explain what happened):</i>	<input type="checkbox"/>	<input type="checkbox"/>

\_\_\_\_\_  
\_\_\_\_\_

8. There are a number of reasons why a person may not choose to report that money was missing or taken from a Direct Payment Card account. Please check whether each of the reasons listed below has ever applied to you.

	Has applied to me	Never applied to me
I thought they wouldn't replace the benefits.	<input type="checkbox"/>	<input type="checkbox"/>
It wasn't worth the trouble to try to get them replaced.	<input type="checkbox"/>	<input type="checkbox"/>
I didn't want to get anybody in trouble.	<input type="checkbox"/>	<input type="checkbox"/>
I meant to report it, but never got around to it.	<input type="checkbox"/>	<input type="checkbox"/>
Some other reason. <i>(Explain):</i>	<input type="checkbox"/>	<input type="checkbox"/>

\_\_\_\_\_  
\_\_\_\_\_

9. In what month and year did you first start using the Direct Payment Card?

\_\_\_\_\_/\_\_\_\_\_  
MONTH , YEAR

Thank you for your help.



OMB #: 0584-0466  
Approval expires: 8/30/96

Barch: 1-3/  
4/1

Abt Associates Inc.

55 Wheeler Street ■ Cambridge, MA ■ 02138-1168 ■ (617) 492-7100

## UNREPORTED LOSS SURVEY (Bernalillo County)

Office:  
NE 1 5/  
NW 2  
SE 3  
SW 4  
St. Martin's 5

Please help us to find out how well the EBT system is working by answering the questions below. This survey is part of research we are doing for the U.S. Department of Agriculture, together with the Department of Health and Human Services and the Department of the Treasury. Your participation is voluntary. Your answers will be kept confidential and will have no effect on your food stamp or welfare benefits.

Name (please print): _____		Date: _____		
5-34/ 35-59/		60-65/		
Case Number: _____	66-85/	Yes	No	Don't Know
1. Has the welfare agency ever made a mistake by adding too few food stamp or AFDC benefits to your EBT account?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	86/
2. Has the welfare agency ever missed an EBT food stamp or AFDC payment <u>entirely</u> and <u>never made it up later</u> ?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	87/
3. Has anyone ever taken benefits out of your food stamp or AFDC EBT account without your permission?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	88/
4. For any other reason, have benefits ever been missing or taken from your food stamp or AFDC EBT account?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	89/
Answer questions 5 and 6 <u>only</u> if you use your EBT card to get AFDC benefits:		Yes	No	Don't Know
5. Has an ATM machine ever given you less cash than was taken from your EBT account?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	90/
6. Has a store employee ever given you less cash than was taken from your EBT account?	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 8	91/
Everybody please answer:				
7. When did you first start using the EBT card to get your food stamp or AFDC benefits?	_____, 19____		Month	Year
				92-95/

Thank you for your help. Please hand this form to the survey interviewer, who may have a few more questions to ask you.

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Department of Agriculture, Clearance Officer, Room 404-W, Washington, DC 20250.

Name: \_\_\_\_\_

Case #: \_\_\_\_\_

8. A. **REVIEW QUESTIONS 1-6 AND CHECK BELOW (IN ROW A) THE QUESTIONS THAT HAVE A "YES" ANSWER.**
- B. **FOR EACH BOX CHECKED IN ROW A, ASK:** Did you always report having the (ITEM) to the Help Desk or your welfare worker? **IF NO, CHECK BOX IN ROW B.**
- C. **FOR EACH BOX CHECKED IN ROW B, ASK:** How many times did this happen and you did not report it?
- D. When was the last time the (ITEM) and you didn't report it?

	(a) Agency put too few benefits in your account	(b) Agency (did) not make a deposit to your account	(c) Benefits (were) taken or missing from your account	(d) ATM (give/gave) you the wrong amount of cash	(e) Store (give/gave) you the wrong amount of cash
A) CHECKED "YES" BY CLIENT	Q1 <input type="checkbox"/> 1 ↓ 96/	Q2 <input type="checkbox"/> 1 ↓ 105/	Q3 <input type="checkbox"/> 1 Q4 <input type="checkbox"/> 1 ↓ 114/	Q5 <input type="checkbox"/> 1 ↓ 123/	Q6 <input type="checkbox"/> 1 ↓ 132/
B) NOT REPORTED	<input type="checkbox"/> 2 ↓ 97/	<input type="checkbox"/> 2 ↓ 106/	<input type="checkbox"/> 2 ↓ 115/	<input type="checkbox"/> 2 ↓ 124/	<input type="checkbox"/> 2 ↓ 133/
C) # TIMES	_____ 98-100/	_____ 107-109/	_____ 116-118/	_____ 125-127/	_____ 134-136/
D) DATE (MONTH/YEAR)	_____/_____ 101-104/	_____/_____ 110-113/	_____/_____ 119-122/	_____/_____ 128-131/	_____/_____ 137-140/

**IF ALL LOSSES WERE REPORTED (NO BOX CHECKED IN ROW B), SKIP TO CLOSING.**

**REVIEW THE DATES IN ROW D. ASK QUESTIONS 9-11 ABOUT THE LAST INCIDENT (OF ANY SORT).**

Now I have a few questions about the **last time** (the agency put too few benefits in your account/the agency did not make a deposit to your account/benefits were taken or missing from your account/an ATM gave you the wrong amount of cash/a store gave you the wrong amount of cash).

9. What was the dollar amount of food stamp benefits, if any, that was missing or taken from your account? \$ \_\_\_\_\_ 141-146/

What was the dollar amount of AFDC benefits, if any, that was missing or taken from your account? \$ \_\_\_\_\_ 147-152/

10. **ASK IF BENEFITS WERE TAKEN IN THIS INCIDENT; OTHERWISE SKIP TO QUESTION 11:** If someone took your benefits, how did it happen? Was it because... **(READ LIST. CHECK ONLY ONE ANSWER.)**

- ☐ 1 Someone you know used the card without your permission. 153/
- ☐ 2 You lost your card and the PIN number was written down. Someone found it and used the card.
- ☐ 3 Someone stole your card and PIN and used them.
- ☐ 4 Someone forced you to take money out of your account and then took the money.
- ☐ 6 Something else happened. *(Explain what happened:)* \_\_\_\_\_ 154-155/
- ☐ 8 DON'T KNOW \_\_\_\_\_ 156-157/

11. Why didn't you ask about getting benefits replaced? Was it because... **(READ LIST. CHECK ALL THAT APPLY.)**

- ☐ 1 You thought they don't replace benefits that are lost this way. 158/
- ☐ 2 It wasn't worth the trouble to try to get them replaced. 159/
- ☐ 3 You didn't want to get anybody in trouble. 160/
- ☐ 4 You meant to ask but never got around to it. 161/
- ☐ 5 Some other reason *(Explain:)* \_\_\_\_\_ 162/

163-164/

165-166/

167-168/

That's all the questions. Thank you for your help.

## **APPENDIX J**

### **ADMINISTRATIVE COST METHODS AND DATA**

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This appendix lists, by site and by data source, components of and methods used to arrive at the administrative costs of Reg E as described in Chapter Five. In general, the units of time and cost reached were total hours per month and total dollars per month, at which point either the number of claims or the number of cases was used as the denominator to produce the per-claim and per-case-month results presented in Chapter Five.

The allocation of time and costs across program and type of claim varies somewhat by data source, as described in this appendix. Any costs that were directly assignable to a specific program or type of claim were allocated on that basis. Costs that could not be directly assigned to a specific program or claim type were handled in one of two ways. First, costs that were entirely non-assignable (e.g, caseworker time) were allocated on the basis of program caseloads. Second, when a single claim in New Jersey or New Mexico involved both AFDC and food stamp benefit loss, the cost of investigating that claim was split evenly between the two programs. This "rule" matches the empirical data from New Mexico, where investigation time was separately tracked and recorded for the AFDC and food stamp portions of the claim.<sup>1</sup>

#### **J.1 HUDSON COUNTY (NJ)**

##### **CSR Initial Contact**

Data on the number of minutes customer service representatives (CSRs) spent on initial contact with claimants come from the Reg E tracking forms that the Deluxe Data Systems' CSRs completed during the demonstration period. To estimate costs, we used a salary list that Deluxe supplied, on which salaries are fully loaded (with fringe, other direct costs, and all overhead costs). CSR costs per claim were simply summed over all claims, by program, to yield total costs per program. CSR costs were allocated across claim types based on information on the data collection form.

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<sup>1</sup> To avoid misunderstanding, recall that such "joint" AFDC/food stamp claims are treated as separate claims throughout this report.

## **Caseworkers**

The estimate of time caseworkers spent on Reg E-related activity was derived from a survey administered to more than 80 percent of Hudson County's income maintenance eligibility workers and supervisors. Although the survey asked for information on both Reg E- and non-Reg E-related work, the analysis examined only Reg E-related work, which included helping clients with account problems (real or perceived), explaining how to file a claim, and making referrals to emergency services.<sup>2</sup> The analysis involved a certain amount of data cleaning, including imputing mean values by job title when data were missing. Information provided by the state on staff salaries, fringe benefit and overhead rates, and other direct costs (ODCs) supplemented the survey's time findings. These time and cost results were allocated across programs on the basis of respective caseload size because caseworkers did not work on specific claims, but on all types of problem resolution. Within each program, caseworker costs were allocated across different claim types on the basis of the relative frequency of claims of each type.

## **Reg E Investigation/Problem Resolution**

In Hudson County, this cost category includes data on hours worked, collected from weekly time sheets that both Hudson County Reg E staff and the state's demonstration liaison completed. Time sheet data on hours worked are supplemented with information on salary, fringe benefit and overhead rates, and ODCs to estimate costs.

Although Hudson County submitted time sheets on staff in both the investigative and card issuance units, we have included the time and cost *only* of the former in evaluation estimates of Reg E administrative costs; it is unlikely that other sites faced with implementing Reg E would view the latter as directly related to Reg E operations. Nevertheless, because the investigative unit's staff emphasized that the claimant's photo identification is always critical to their investigations, we have provided information in Chapter Five on the cost associated with the one FTE staff member who issued and replaced the photo ID cards.

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<sup>2</sup> Non-Reg E work included eligibility determinations, benefit issuance activities, and client training. This information was captured to help ensure that caseworkers consistently identified Reg E from non-Reg E activities.

Hudson County's chosen method of implementing Reg E led to a lot of down time as investigators waited for claimants to report for interviews and to sign an affidavit of loss. From a combination of time sheet, tracking system, and interview data, we estimated the amount of time spent specifically on claims. To be more specific, the tracking system allowed us to determine the variety and frequency of activity paths that different claim types with different dispositions followed. We then applied a time estimate, based on interview data, to each activity, which led to an estimate of total time spent per claim in Hudson County. The difference between the sum of these time-per-claim estimates and total time recorded on time sheets was determined to be time spent "waiting." Wait time and its associated costs were allocated first across programs, and then across claim types in proportion to the relative frequency of each type of claim.

#### **ATM Research/Other Vendor**

This cost component includes the time spent and costs incurred by Deluxe Data Systems when researching ATM misdisbursement claims and when training CSRs at the Help Desk (initial staff training is included under start-up costs). These time data come exclusively from interviews, which helped identify the amount of time various staff members spent during training and when researching claims of ATM misdisbursement. A salary roster and information on the fringe benefit, overhead, and ODC rates was used to derive administrative cost estimates from

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the time data. All costs attributable to researching ATM misdisbursements were allocated to the AFDC program because food stamp benefits cannot be withdrawn from ATMs. Training-related costs were allocated across programs and claim types in proportion to actual claim frequency.

#### **Post-Claim Activities**

Post-claim activities generally involve four main components: issuing provisional credits, issuing reimbursements for approved claims, recovering provisional credits on denied claims, and handling appeals. Interviews with fiscal unit staff in Hudson County provided data on the amount of time staff spent issuing provisional and final credits to claimants, and these data are supplemented with county-provided salary, fringe, overhead, and ODC information. Similarly, interviews with recoupment staff in the county, together with salary, fringe, overhead,

and ODC information, provided the basis for this portion of post-claim activities. There were no appeals of Reg E decisions in Hudson County during the demonstration period.

## **J.2 CAMDEN COUNTY (NJ)**

### **CSR Initial Contact**

Data on CSR time and costs for Camden County claims were collected and used in nearly exactly the same way as were data on CSR time and costs for Hudson County claims. The only difference is that, instead of filling out the Hudson County Reg E tracking form, the CSRs at Deluxe Data Systems filled out a slightly different form developed for the evaluation. Both forms collected essentially the same information. Because this CSR time is associated with specific claims, it and its related cost are accordingly allocated by program and claim type.

### **Caseworkers**

The estimate of time caseworkers spent on problem resolution or claim-related activity derives from a survey administered to about 70 percent of Camden County's income maintenance eligibility workers and supervisors. The survey data from Camden County were analyzed in the same way as the survey data from Hudson County, previously described; and the costs associated with the results include all salary, fringe, overhead, and ODCs.

### **Reg E Investigation/Problem Resolution**

In Camden County, the MIS director and the Food Stamp Program administrator took responsibility for resolving problems of missing benefits due to misdispense, system error, or unauthorized transaction. Estimates of time spent on these tasks for each individual are based on interview data. Costs associated with EBT account problem resolution are simply the salary, fringe, overhead, and ODCs associated with these two staff members' efforts, and are allocated by program and claim type based on Camden's claim rates.

### **ATM Research/Other Vendor**

This cost component includes the time spent and costs incurred at Deluxe to research ATM misdispense claims. Unlike the corresponding analysis for Hudson County, the Camden

County analysis does not include any ongoing costs to train CSRs. As before, the Deluxe salaries are fully loaded.

### **Post-Claim Activities**

In Camden County, these activities include issuing reimbursements for approved claims and handling appeals; no provisional credits are granted (or recovered) in Camden County. Interviews with the Camden County fiscal unit staff provided data on the amount of time spent issuing reimbursements and cutting checks to replace lost funds. There were no claim-related appeals in Camden County during the demonstration period. These time data, supplemented by the relevant salary, fringe, overhead, and ODC information, are allocated by program and claim type according to the site's claim rates.

## **J.3 NEW MEXICO**

### **EBTS Initial Contact**

Data on the number of minutes EBT specialists spent on initial contact with claimants come from the tracking system, in which each action step on a claim includes time to complete and the initials of the person who completed it. To estimate labor costs, we used the salary, fringe, and overhead rates for EBT specialists, supplied by the state. With EBT specialist time collected at the claim level, total specialist time and cost were summed by county, program, and type of claim, and then averaged over either the total number of claims or total case months.

### **Caseworkers**

The estimate of time caseworkers spent on Reg E-related activity derives from a survey administered to about 75 percent of staff in the three demonstration counties. Although the survey asks for information on both Reg E- and non Reg E-related work, the results used in this portion of the analysis are exclusively from the former. Analysis steps paralleled those for caseworker time and cost in Hudson and Camden Counties.



### **Reg E Investigation/Problem Resolution**

In New Mexico, the Reg E central office staff completed weekly time sheets during the demonstration. Total Reg E-related time collected from the time sheets (and associated costs, based on salary, fringe and overhead rates, and ODC information) was allocated across counties, programs, and claim types in direct proportion to tracking system data on time spent on specific claims. To clarify, if 15 percent of all time recorded on the Reg E tracking system was for claims of unauthorized usage involving AFDC benefits in Bernalillo County, 15 percent of total time measured by the time sheets was allocated to AFDC claims of unauthorized usage in Bernalillo County.

Although the time sheets represent the bulk of the time spent on Reg E investigation, for certain more complex claims or claims in which fraud was suspected the Reg E staff made referrals to the state's Office of the Inspector General. Interviews are the source of OIG time data. Salary and fringe rate information complement both of these data sources. This element of investigation time was allocated by county, program and claim type, depending on each office's rate of claims of unauthorized usage.

### **ATM Research/Other Vendor**

Interviews provided information on the amount of time the New Mexico vendor, First Security Bank, spent resolving claims of ATM misdisperse. An estimate of fully loaded salary was applied, and the resulting values were allocated by each county's proportion of misdisperse claims. There was no ongoing training of bank staff related to the Reg E demonstration.

### **Post-Claim Activities**

Post-claim activities in New Mexico include issuing provisional credits and reimbursements, recovering provisional credits on denied claims, and handling appeals. A combination of timesheet and tracking system information provided data on time spent issuing credits and reimbursements. Interviews with restitution bureau staff provided data on the amount of time staff spent entering and tracking the recovery of funds, supplemented by the relevant salary, fringe, overhead, and ODC information.

Reg E staff time associated with appeals is not separately identified. The state's cost estimate for fair hearing charges is applied to the sites and claim types in which the six appeals filed during the demonstration occurred.

#### **J.4 CITIBANK DPC SYSTEM (TX)**

##### **CSR Initial Contact**

Data on the number of minutes CSRs spent on initial contact with claimants come from the job ticket form, on which CSRs noted the start and end time of their conversations with claimants and the amount of time spent on other initial claims activities. These claim-specific data on time and its associated cost were assigned to specific claim types.

##### **Caseworkers**

There is no estimate of caseworker time for the Citibank DPC system. The system's participants referred all problems to the system's Help Desk.

##### **Reg E Investigation/Problem Resolution**

Similar to the other Reg E sites, the bulk of Citibank's Reg E investigation time is documented in the weekly time sheets that staff submitted. In addition, for more complex claims or claims in which fraud was suspected, the Reg E staff made referrals to Citibank's security investigators.

The time sheet data, interview data, and information from the job tickets were combined to estimate total Reg E investigation time during the demonstration. The time information was converted to cost estimates using fully loaded salary information for each investigator. Security investigator time and costs were allocated across claim types according to job ticket information indicating which claims were referred to the security unit. Other labor time and costs were allocated in proportion to the rate of claims by type, as recorded in the job ticket data.

##### **ATM Research/Other Vendor**

Citibank has no *additional* costs in this category. Time and associated costs spent researching claims of ATM misdispense are included under the category of "Reg E investigation/

problem resolution." The weekly time sheets filled out by Citibank staff did not break out ATM research time from other research tasks. Similarly, any ongoing training time by Citibank staff is included under investigation time.<sup>3</sup>

### **Post-Claim Activities**

The time sheet data captured Reg E staff time spent issuing provisional and final credits as well as the recoupment of funds. These costs are assigned to claim types in proportion to actual claim frequency.

One Citibank client appealed a claim denial during the demonstration period. This appeal, however, was made to Citibank officials outside the EBT unit and did not require any additional effort among EBT or Reg E staff. Its cost, therefore, is not measured.

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<sup>3</sup> The MIS coordinator did train an assistant during the demonstration period.

## **APPENDIX K**

### **CASEWORKER SURVEY RESULTS**

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As discussed in Chapter Five, caseworkers<sup>1</sup> in the comparison site of Camden County spent more time dealing with EBT account problems than caseworkers in the Reg E sites (although caseworkers in Hudson County also spent a considerable amount of time on Reg E tasks). This extra workload makes sense because, in the Reg E sites, most of the responsibility for resolving problems was centralized in a Reg E investigative unit. Exhibits 5-3 and 5-4 of Chapter Five presented the aggregate levels of caseworker effort (e.g., caseworker cost per case month). This appendix provides detailed information on the descriptive components of caseworker efforts that make up the totals in Chapter Five.

#### **Survey Summary**

The data on these efforts come from caseworker surveys conducted near the end of each site's demonstration period. At the time of the survey, Camden County had 188 caseworkers and supervisors, Hudson County had 158, Bernalillo County had 157, Doña Ana County had 73, and San Juan County had 33. Overall, the survey achieved about a 75 percent response rate, varying somewhat across sites and job titles. To adjust for survey non-response, survey results (i.e., average total time per caseworker) were multiplied by the ratio of total workers to responding workers to yield total caseworker time. This adjustment was performed separately by site and job title.

The survey, a copy of which is included at the end of this appendix,<sup>2</sup> solicited information on the frequency and amount of time caseworkers dedicated to a variety of tasks. The survey did not attempt to collect separate measures of time spent on AFDC-related and food stamp-related tasks; it was felt that, in most situations, this would have been an artificial

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<sup>1</sup> Caseworkers in New Jersey are called "Eligibility Specialists," and in New Mexico they are called "Income Support Specialists."

<sup>2</sup> The sample survey is for eligibility specialists in Hudson County. The wording differs somewhat on the Camden County version of the survey, because Reg E was not in effect in Camden. The first section of New Jersey's two surveys is excluded from the New Mexico surveys because of differences in organizational structure and caseworkers' general responsibilities.

distinction. In addition, trying to collect program-specific data would have created too great a reporting burden for caseworkers.<sup>3</sup>

The survey instrument for Hudson County included five sections that asked caseworkers about time spent on specific tasks or activities. Tasks included in the first section were associated with informing clients about Reg E. This section was not included in the New Mexico surveys because caseworkers there did not formally have similar responsibilities. When later interviews with program administrators in New Mexico revealed that caseworkers there did sometimes inform clients about Reg E, it was decided that Hudson County data from this section should not be analyzed because doing so would have led to non-comparable results across sites.

The second section of the survey asked about four separate events: benefits not available due to changes in client eligibility; benefits posted on the eligibility system but not yet available; benefits that should be available on the EBT system but which were not; and any "other" events dealing with benefit unavailability. Time spent on the first two events, which accounted for the majority of time caseworkers spent dealing with unavailable benefits, was not counted as a Reg E cost. In general, time spent on the latter two events was counted as a Reg E cost.<sup>4</sup>

The next section of the survey addressed specific Reg E activities, including initial claim contact and referrals to the appropriate Reg E problem resolution unit; responding to questions about the status of filed claims; responding to staff questions about Reg E rights, responsibilities and procedures (supervisors only); making referrals to emergency services because of problems due to benefit loss; and "other" Reg E or EBT problem resolution activity.<sup>5</sup> All time recorded in this section was treated as a Reg E cost.

The last survey section asked caseworkers to look differently at how they spent their time and to allocate their work time by percentage in a few key categories. Although the results

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<sup>3</sup> Some caseworkers in Hudson County worked just on food stamp-only cases. Although their time and labor costs could have been allocated solely to the Food Stamp Program, this was not done. The added analytic complexities were judged to be greater than the expected extra precision in cost allocation this would have permitted. In all other sites caseworkers worked with both AFDC and food stamp clients.

<sup>4</sup> Examples of "other" Reg E-related events were using EBT terminals to check account problems, verifying documentation, discussing account problems with supervisors, and helping with benefit replacement.

<sup>5</sup> These activities were meant to be distinct from the previously discussed problems of benefit unavailability, a point emphasized during survey training and administration.

of this section's analysis are not presented here, they essentially confirmed that responses to the rest of the survey were consistent.

The rest of this appendix discusses specific survey results, first events by frequency, then by average time, and then on a per-case-month basis.

### Frequency of Events

Exhibit K-1 shows the average number of events that caseworkers reported completing per month, averaged over all caseworkers and supervisors in each site (including those who reported never having performed that activity in the past three months). Although the total caseworker work effort reported in Chapter Five may seem high, activity levels generally appear reasonable when they are broken down to the level of monthly caseworker activity. One apparent discrepancy, however, is the number of initial claim contacts and referrals. If one multiplies the event frequency of initial claim contacts in Exhibit K-1 by the number of caseworkers in each site, the resulting product is much higher than the average number of actual claims experienced per month during the demonstration, most likely because some recipients decided not to follow through on submitting claims.<sup>6</sup> The absence of a follow-up claim submission is much more apparent in New Jersey than in New Mexico.<sup>7</sup>

The frequencies displayed in Exhibit K-1 are somewhat higher, on average, in Camden County than in Hudson County. It is surprising that Hudson County recipients contacted their caseworkers as often as they did, given that Hudson County's Reg E disclosure notice and EBT training sessions instructed clients to call the system's Help Desk with problems regarding lost benefits. Caseworkers in Hudson County, however, did have larger caseloads to deal with (an average of 275 cases per caseworker in Hudson County, *versus* 182 cases per caseworker in

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<sup>6</sup> This finding is consistent with results from the survey of unreported losses described in Chapter Three. In that survey, recipients said that they reported far more incidents of lost benefits than were recorded in the sites' claim tracking systems. That survey's questions, however, did not attempt to distinguish between losses reported to a Help Desk (which would initiate a formal claim) and losses reported to a caseworker (which, by itself, would not initiate a formal claim).

<sup>7</sup> If all caseworker initial contacts had resulted in actual claims, then Camden County would have had 46 times as many claims as it did, Hudson County would have had 34 times as many, Bernalillo County 4 times as many, Doña Ana County 8 times as many, and San Juan County 5 times as many.

## Exhibit K-1

## AVERAGE EVENT FREQUENCY PER CASEWORKER PER MONTH

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E		
Site	Camden County (NJ)	San Juan County (NM)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
Dealing with unexplained missing benefits	6.5	0.9	4.8	2.5	1.1
Dealing with other benefit unavailability <sup>a</sup>	2.0	0.1	2.8	1.1	1.2
Initial claim contact and referrals	4.3	1.0	4.5	1.0	0.9
Response to staff questions regarding Reg E or EBT problem resolution <sup>b</sup>	0.3	0.1	0.4	0.1	0.2
Emergency referrals because of inadequate funds due to benefit loss or a claim	2.2	<0.1	1.7	0.8	0.8
Other Reg E-related or EBT problem resolution activity	1.8	0.1	1.2	0.3	0.3

<sup>a</sup> The survey included questions about how caseworkers and their supervisors deal with particular situations involving unavailable benefits. The frequency and time associated with this question is shown in the exhibit only for the Reg E-related components of dealing with benefit unavailability situations.

<sup>b</sup> Although only supervisors responded to this question, the frequency of its occurrence is averaged over all caseworkers.

Camden County), which helps explain the relatively higher Hudson County frequencies in the exhibit.<sup>8</sup>

The frequency of Reg E-related events in New Mexico is relatively low, presumably because of the counties' organizational structure: EBT specialists in each county help recipients with EBT account problems. Clients in New Mexico, where EBT has been operational for much longer than in New Jersey, were also instructed to call the Help Desk with problems pertaining to lost benefits. Clients seemed well-informed about when to go to the EBT specialist or to call the Help Desk instead of their regular caseworker, which may have contributed to lower event frequencies in these sites.

<sup>8</sup> Except for San Juan County, where caseworkers handled an average caseload of about 145 cases, the caseloads in New Mexico were about 250 cases per caseworker.

### Average Time per Event

Exhibit K-2, which displays average time per event, provides some unexpected results. For instance, initial claim contact and referrals in Bernalillo County averaged 13.4 minutes per event, even though the caseworkers seemingly could have told recipients simply to call the Help Desk or to see the EBT specialist. Indeed, Bernalillo County caseworkers often spent more time than caseworkers in other sites when helping clients with problems. Hudson County caseworkers also spent considerable time on some tasks.

**Exhibit K-2**  
**AVERAGE MINUTES PER EVENT**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E		
Site	Camden County (NJ)	San Juan County (NM)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
Dealing with unexplained missing benefits	6.2	2.7	8.9	9.9	4.8
Dealing with other benefit unavailability	12.2	1.9	7.1	21.3	10.4
Initial claim contact and referrals	6.0	2.0	8.0	13.4	6.7
Response to staff questions regarding Reg E or EBT problem resolution	3.8	3.6	5.0	5.1	5.9
Emergency referrals because of inadequate funds due to benefit loss or a claim	6.9	1.3	8.7	8.8	49.9
Other Reg E-related or EBT problem resolution activity	15.1	5.0	17.8	18.6	22.9

Next, although it happened, on average, less often than once a month per caseworker, caseworkers in Doña Ana County spent a substantial amount of time (an average of nearly 50 minutes) referring clients with lost benefits to emergency services. Inspection of the data from Doña Ana County reveals that one caseworker not only had numerous contacts with clients seeking emergency services (about 20 contacts per month), but also reported spending an average





**Exhibit K-3****TOTAL MINUTES PER 1,000 CASE MONTHS**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E		
Site	Camden County (NJ)	San Juan County (NM)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
Dealing with unexplained missing benefits	194.8	16.4	156.8	106.9	26.0
Dealing with other benefit unavailability	25.7	0.4	18.8	7.6	3.1
Initial claim contact and referrals	123.4	14.3	131.6	55.2	31.2
Response to staff questions regarding Reg E or EBT problem resolution	4.7	2.4	7.6	2.3	4.5
Emergency referrals because of inadequate funds due to benefit loss or a claim	73.7	0.4	67.4	31.2	182.4
Other Reg E-related or EBT problem resolution activity	129.1	0.8	55.6	7.1	10.5
Total minutes	551.4	35.7	437.7	210.2	257.6

**Exhibit K-4****TOTAL CASEWORKER COST PER CASE MONTH, BY EVENT**

Level of Protection	Regular EBT	Responsibility Standard	Full Reg E		
Site	Camden County (NJ)	San Juan County (NM)	Hudson County (NJ)	Bernalillo County (NM)	Doña Ana County (NM)
Dealing with unexplained missing benefits	\$0.090	\$0.004	\$0.039	\$0.029	\$0.007
Dealing with other benefit unavailability	0.012	0.000	0.005	0.002	0.001
Initial claim contact and referrals	0.057	0.004	0.033	0.015	0.009
Response to staff questions regarding Reg E or EBT problem resolution	0.002	0.001	0.002	0.001	0.001
Emergency referrals because of inadequate funds due to benefit loss or a claim	0.034	0.000	0.017	0.008	0.051
Other Reg E-related or EBT problem resolution activity	0.060	0.000	0.014	0.002	0.003
Total cost	\$0.255	\$0.008	\$0.109	\$0.057	\$0.072

three New Mexico counties are similar to one another. Camden County hourly salaries, in contrast, are considerably higher.

Together, the higher average salaries in Camden County and the greater time spent on EBT account problems there yield higher estimated costs per case month than for the other sites. Caseworker costs in Camden County are higher for each task, with one exception: only Doña Ana County's emergency referrals cost more per case month than Camden's. The weighted average of the Reg E sites' total caseworker costs was \$0.062 during the demonstration, one-fourth that of the comparison site (\$0.255). Organizationally, Reg E—as implemented in New Jersey and New Mexico—shifted responsibility, workload, and costs away from caseworkers.

For Abt Associates Inc. use:  
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7-8/

**EVALUATION OF THE APPLICATION OF REGULATION E TO EBT SYSTEMS**  
**ELIGIBILITY WORKER SURVEY**  
**Hudson County Board of Social Services**

Print your name here: \_\_\_\_\_

Public reporting burden for this collection of information is estimated to average 25 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, Room 404-W, Washington, D.C. 20250.

*This study is conducted for the Food and Consumer Service of the  
U.S. Department of Agriculture under contract #53-3198-4-027*

Abt Associates Inc.  
55 Wheeler Street  
Cambridge, Massachusetts 02138

## SELF-ADMINISTERED ELIGIBILITY WORKER SURVEY

### Hudson County Board of Social Services

#### General Instructions

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1. Please complete this questionnaire and return it to the Abt Associates trainer. If you are unable to attend a training session, you will be instructed where and when to return the questionnaire.
  2. The purpose of this survey is to find out how frequently eligibility workers in this office are involved with applying Regulation E to Families First cases. Regulation E protects cardholders against liability for unauthorized transactions and against certain other types of losses, including misdispensing of cash by automated teller machines. This study concerns your activities related to these protections, including: informing recipients, dealing with unavailability of funds and other Regulation E claim-related activities, administering controls and sanctions, and recovering funds. We are also interested in how long it takes to perform these activities.
  3. The survey asks two types of questions:
    - **Estimates of the frequency of an activity.** Many of the questions in this survey ask you to estimate how many times a specific event has occurred in the last three months, that is from November 1995 through January 1996. When answering these questions, try to remember how many times the event has occurred in each of the last three months.

If you have difficulty recalling the total for each month, try to estimate the number of times the event has occurred in the last month, and multiply by three. For example, if the event happened three times last month, your answer would be 9 (times in the last three months).
    - **Estimates of the average time to complete the activity once.** To estimate the average amount of time that you spend on an activity, read the question carefully and think about previous times when you completed the activity and the amount of time you spent on each occurrence. Include only the time you spend on the activity, as specified in the question.
  4. Trust your instincts on these questions. There is no right or wrong answer. You will not be judged or graded on your responses. **If you think you have had some involvement with a task but don't remember how often or how long it took, just write "DK" for "don't know."** We will combine your responses with all the other caseworkers who are completing the survey to find out the average amount of time spent on the activities described in the survey.
  5. Do not count the same time under two different activities. Use your best judgement to assign time to the activity category that best describes what you do. If you are unsure, ask the Abt Associates trainer.
  6. If you have any questions about this survey, ask the Abt Associates trainer or call Laura Peck at Abt Associates at (617) 349-2369.
  7. Thank you for your time and effort in participating in this study.
-

## SECTION A: BACKGROUND INFORMATION

A1. Which of the following programs do you serve?

- ☐ PA/Food Stamps intake
- ☐ PA/Food Stamps ongoing/redetermination
- ☐ Non-PA Food Stamps intake
- ☐ Non-PA Food Stamps ongoing/redetermination
- ☐ Other financial assistance (*LIST BELOW*):

9/

10/

11/

12/

13/

14-23/B

24/

25/

If you do not serve food stamps, AFDC, or both, stop and turn in this questionnaire.

A2. How long have you worked for the Hudson County Board of Social Services?

NUMBER OF YEARS

26-27/

AND MONTHS

28-29/

A3. What is your current job title?

30-31/

32-37/B

A4. How long have you worked in this position for the Hudson County Board of Social Services?

NUMBER OF YEARS

38-39/

AND MONTHS

40-41/

42-44/B

A5. How many days per year of vacation or personal leave time with pay are you entitled to take?

NUMBER OF VACATION OR PERSONAL LEAVE DAYS PER YEAR

45-46/

A6. During the past three months, what has been your average monthly caseload of food stamps and/or AFDC assistance units? In other words, how many cases have you been responsible for, on average, during the past three months, counting each AFDC/food stamp unit as one AFDC case and one food stamp case?

AVERAGE MONTHLY CASELOAD (OVER PAST THREE MONTHS)

47-50/

## SECTION B: REGULATION E-RELATED OPERATIONS—INFORMING RECIPIENTS

The following questions are about the time you spend on activities that relate to *informing recipients about how Regulation E affects their rights, responsibilities, and procedures*. We are interested in how often you do each of these activities and how much time you spend doing each of them once. In thinking about each of these tasks, remember to include contacts with the recipient, the Investigation Unit, the Deluxe Help Desk, or your supervisor, as well as completing forms or other actions.

- B. For each task listed in Column A (Regulation E-Related Operations: Informing Recipients), try to remember **how many times the event has occurred in the past three months** (from November 1995 through January 1996). For example, if the event happened two times in the past three months, then enter "2" in Column B.
- C. For each task listed in Column A (Regulation E-Related Operations: Informing Recipients), think about the **amount of time you spent on each occurrence** and enter the average number of minutes it takes to do the task once in Column C. For example, if it took 4 minutes on average to complete the task, then enter "4" in Column C. If the time per occurrence varies, think about the longest and shortest times, and then decide where your average falls within that range.
- D. To help check your answers in this section do the following calculations:
- Multiply Columns B and C for each event listed and enter the answer in Column D.
  - Then total all the numbers in Column D.
  - Then ask yourself, "Do I spend this amount of time every three months on these activities?" If not, you may want to re-estimate some of your responses.

A. REGULATION E-RELATED OPERATIONS:  Informing Recipients	B. Number of Times in Past 3 Months	C. Number of Minutes to do Task Once (AVERAGE)	D. Worksheet Area (MULTIPLY COLUMNS B × C)
1. Providing recipients with Regulation E disclosure notices and other materials regarding rights, responsibilities, and procedures for resolving problems with Families First accounts. (NOTE: DO NOT INCLUDE NOTICES REGARDING OTHER PROGRAM REQUIREMENTS, RIGHTS AND PROCEDURES, SUCH AS WORK REGISTRATION.)	51-53/	54-56/	
2. Explaining to recipients their Regulation E rights, responsibilities, and procedures <i>during intake, certification, recertification, and other eligibility-related contacts</i> .	57-59/	60-62/	
3. Other tasks related to informing recipients about Regulation E <i>excluding discussions with recipients regarding lost or missing benefits</i> . ☛ DESCRIBE HERE:	63-65/	66-68/	
TOTAL TIME			69-73/

**SECTION C: REGULATION E-RELATED OPERATIONS—  
UNAVAILABILITY OF BENEFITS**

The following questions are about the time you spend on activities that relate to *dealing with issues surrounding benefits that (1) have not been entered or processed on FAMIS because of changes in eligibility; (2) have been entered and processed on FAMIS but are not yet available; or (3) have been entered and processed on FAMIS and should be available in a client's account but are not.* We are interested in **how often** you do each of these activities and **how much time** you spend doing each of them once. In thinking about each of these tasks, remember to include contacts with the recipient, the Investigation Unit, the Deluxe Help Desk, or your supervisor, as well as completing forms or other actions.

- B. For each task listed in Column A (Regulation E-Related Operations: Unavailability of Benefits), try to remember **how many times the event has occurred in the past three months** (from November 1995 through January 1996). For example, if the event happened two times in the past three months, then enter "2" in Column B.
- C. For each task listed in Column A (Regulation E-Related Operations: Unavailability of Benefits), think about the **amount of time you spent on each occurrence** and enter the average number of minutes it takes to do the task once in Column C. For example if it took 4 minutes on average to complete the task, then enter "4" in Column C. If the time per occurrence varies, think about the longest and shortest times, and then decide where your average falls within that range.
- D. To help check your answers in this section do the following calculations:
- Multiply Columns B and C for each event listed and enter the answer in Column D.
  - Then total all the numbers in Column D.
  - Then ask yourself, "Do I spend this amount of time every three months on these activities?" If not, you may want to re-estimate some of your responses.



<p align="center"><b>A.</b> <b>REGULATION E-RELATED OPERATIONS:</b>  <b>Unavailability of Benefits</b></p>	<p align="center"><b>B.</b> <b>Number of Times in Past 3 Months</b></p>	<p align="center"><b>C.</b> <b>Number of Minutes to do Task Once (AVERAGE)</b></p>	<p align="center"><b>D.</b> <b>Worksheet Area (MULTIPLY COLUMNS B × C)</b></p>
<p>1. Dealing with recipients or others when benefits have not been entered and processed on FAMIS because of changes in eligibility. <i>(NOTE: INCLUDE ONLY THE TIME TO DETERMINE AND COMMUNICATE BENEFIT STATUS IN COLUMN C. DO NOT INCLUDE DISCUSSION WITH RECIPIENT OR OTHER ACTIONS REGARDING REASONS FOR CHANGE IN ELIGIBILITY.)</i></p>	74-76/	77-79/	
<p>2. Dealing with recipients or others when benefits have been entered and processed on FAMIS but are not yet available.</p>	80-82/	83-85/	
<p>3. Dealing with recipients, the Investigations Unit, the Deluxe Help Desk, county staff, or others when benefits are entered and processed on FAMIS and should be available in a client's account but are not.</p>	86-88/	89-91/	
<p>3a. How many of these clients (whose benefits should have been available but were not) have you referred to the Deluxe Help Desk or Investigations Unit within the past three months?</p>	92-94/		
<p>4. Other tasks related to unavailability of benefits.  <input type="checkbox"/> <i>DESCRIBE HERE:</i></p>	95-97/	98-100/	
<p><b>TOTAL TIME</b></p>			101-105/

## SECTION D: REGULATION E-RELATED OPERATIONS— OTHER REGULATION E CLAIM-RELATED ACTIVITIES

Recipients can file a claim for lost benefits under Regulation E when the following take place:

- An ATM misdispense;
- Point-of-sale terminal or Families First system errors;
- Unauthorized transactions (e.g., stolen card or forced withdrawal); or
- Unexplained missing benefits.

Please note that unavailability of benefits (addressed in the previous section) can be a Regulation E claim only in the first instance, when benefits have been entered and processed on FAMIS and should be in a client's account but are not.

The following questions are about the time you spend on these *other Regulation E claim-related activities*. We are interested in how often you do each of these activities and how much time you spend doing each of them once. In thinking about each of these tasks, remember to include contacts with the Investigation E Unit, the Deluxe Help Desk, or your supervisor, as well as completing forms or other actions.

- B. For each task listed in Column A (Other Regulation E Claim-Related Activities), try to remember how many times the event has occurred in the past three months (from November 1995 through January 1996). For example, if the event happened two times in the past three months, then enter "2" in Column B.
- C. For each task listed in Column A (Other Regulation E Claim-Related Activities), think about the amount of time you spent on each occurrence and enter the average number of minutes it takes to do the task once in Column C. For example if it took 4 minutes on average to complete the task, then enter "4" in Column C. If the time per occurrence varies, think about the longest and shortest times, and then decide where your average falls within that range.
- D. To help check your answers in this section, do the following calculations:
- Multiply Columns B and C for each event listed and enter the answer in Column D.
  - Then total all the numbers in Column D.
  - Then ask yourself, "Do I spend this amount of time every three months on these activities?" If not, you may want to re-estimate some of your responses.

<p align="center"><b>A.</b></p> <p align="center"><b>REGULATION E-RELATED OPERATIONS</b></p> <p align="center"><b>Other Regulation E Claim-Related Activities</b> (Excluding Unavailability of Benefits)</p>	<p align="center"><b>B.</b></p> <p align="center"><b>Number of Times in Past 3 Months</b></p>	<p align="center"><b>C.</b></p> <p align="center"><b>Number of Minutes to do Task Once (AVERAGE)</b></p>	<p align="center"><b>D.</b></p> <p align="center"><b>Worksheet Area (MULTIPLY COLUMNS B × C)</b></p>
<p>1. Responding to recipients with possible Regulation E claims (including alleged ATM misdispense, Families First System error, unauthorized transaction or unexplained missing benefits), referring or directing recipients making new claims to the Help Desk or Investigations Unit, or providing information on Regulation E rights, responsibilities, and procedures to potential claimants.</p>	106-108/	109-111/	
<p>1a. How many of these clients (with possible new Regulation E claims) have you referred to the Deluxe Help Desk or Investigations Unit within the past three months?</p>	112-114/		
<p>2. Responding to recipients' questions about the status or result of Regulation E claims previously filed, or directing recipients with questions about outstanding claims to the appropriate unit.</p>	115-117/	118-120/	
<p>3. (If you are a supervisor) Responding to staff questions about Regulation E rights, responsibilities, and procedures.</p>	121-123/	124-126/	
<p>4. For recipients with inadequate funds specifically due to Families First account problems, making referrals to emergency services, such as Emergency Assistance, shelters, food pantries, etc.</p>	127-129/	130-132/	
<p>5. Other tasks related to Regulation E claims or recipients alleging benefit loss that might be covered under Regulation E. ☛ DESCRIBE HERE:</p>	133-135/	136-138/	
<p><b>TOTAL TIME</b></p>			139-143/

## SECTION E: TIME ALLOCATION AMONG TASKS

This final section of the survey asks about how you spend your time among various categories of activities. *Do not try to add up your responses in Sections B-D—simply give your best estimate.*

Think of 100 percent as equalling the **total time** you spend working in a typical month on **all** of your responsibilities. For example, if you work 35 hours per week, 1 hour is about 3 percent of your work week. Refer to the table below for the percentage of your time that a certain number of work hours represents.

Divide the 100 percent according to the amount of time that you spend on each of the functions listed below. If you never perform a particular function listed below, then write a "0" (zero) for that category.

- |     |  |         |          |
|-----|--|---------|----------|
| (a) | Casework-related activities involving unavailability of benefits (as identified in Section C)  | _____ % | 144-146/ |
| (b) | Other Regulation E casework-related activities (as identified in Sections B and D)   | _____ % | 147-149/ |
| (c) | Non-Regulation E client-oriented activities  | _____ % | 150-152/ |
| (d) | Non-client-oriented activities (e.g, staff meetings, general administrative tasks, staff training, etc.) and other activities not included in (a), (b) or (c) above. | _____ % | 153-155/ |

**Total 100%**

**NOTE: The total of a + b + c + d should equal 100%.**

**Example:** In an average work week a person spends time as follows:

- |               |  |                        |
|---------------|--|------------------------|
| (a)           | Casework-related activities involving unavailability of benefits                         | 10 hours = 29%         |
| (b)           | Regulation E casework-related activities   | 5 hours = 14%          |
| (c)           | Non-Regulation E client-oriented activities  | 15 hours = 43%         |
| (d)           | Non-client-oriented activities (e.g, staff meetings, general administrative tasks, etc.) | <u>5 hours = 14%</u>   |
| <b>Total:</b> |  | <b>35 hours = 100%</b> |

# hours	% work week	# hours	% work week	# hours	% work week	# hours	% work week
1	2.9	10	28.6	19	54.3	28	80.0
2	5.7	11	31.4	20	57.1	29	82.9
3	8.6	12	34.3	21	60.0	30	85.7
4	11.4	13	37.1	22	62.9	31	88.6
5	14.3	14	40.0	23	65.7	32	91.4
6	17.1	15	42.9	24	68.6	33	94.3
7	20.0	16	45.7	25	71.4	34	97.1
8	22.9	17	48.6	26	74.3	35	100
9	25.7	18	51.4	27	77.1		